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ABSTRACT

This instructor's manual accompanies a student workbook for a course in basic income tax return preparation. An introductory section contains a course schedule and lists of technical publications, textbooks, other resource materials necessary to the teaching of the course, forms required for student use during instruction, and transparencies. Lesson plans provided for each of 20 sessions contain the following components: lesson overview (including reading assignment, forms required for class handouts, teaching hints, and teacher resources), informative material to be presented to class, quiz, answer key to exercises in student workbook, and answer key to quiz. Topics covered are filing requirements, exemptions and deductions, gross income, itemized deductions, income tax computations, Oregon Tax Preparer Licensing Law, IRS Tax Practitioner Law, Oregon income tax, basis of assets, depreciation, supplemental income, profit and loss from business, self-employment tax, farm income and expenses, credits, capital gains and losses, sales and exchanges, supplemental gains and losses, personal residence sales, installment sales, other taxes and payments, examination of returns and appeal rights, and interview techniques. Midterm and final reviews and examinations are included. (YLB)

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Oregon & Federal Basic Income Tax Return Preparation

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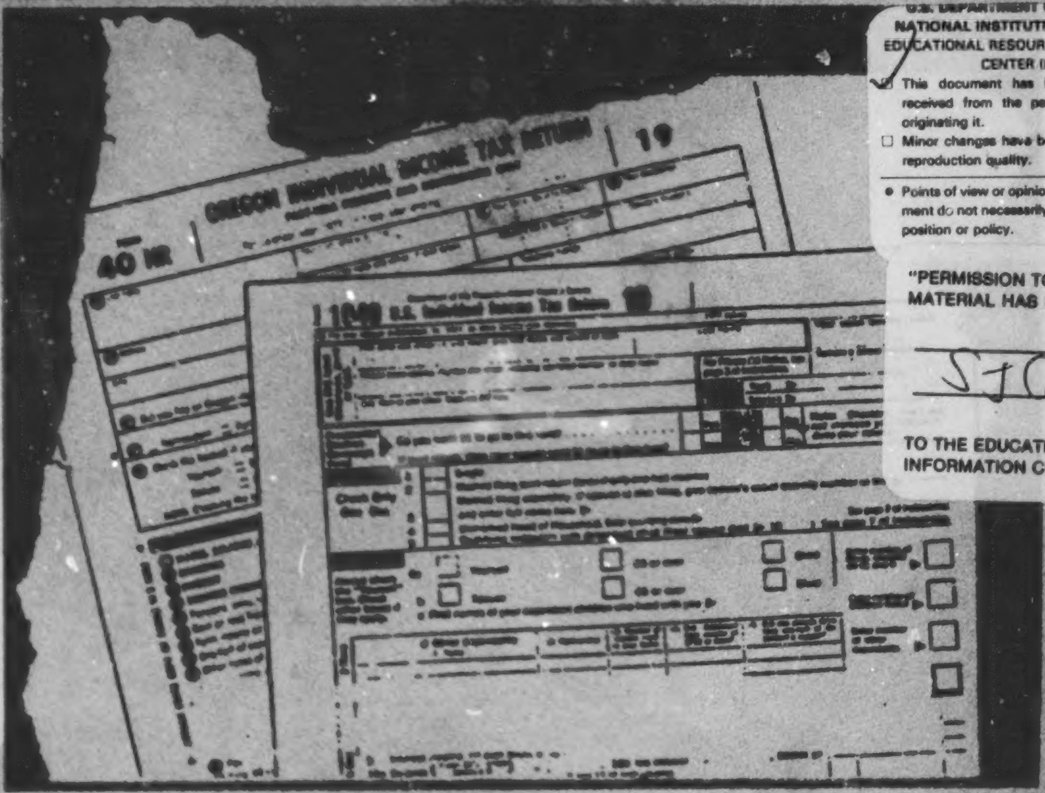
OREGON INDIVIDUAL INCOME TAX RETURN
19
40 NR
1040 U.S. Individual Income Tax Return

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Instructor's Manual 1981

Coordinator/Editor
Donna Young

This project dated August 1982

CE 034 209

TABLE OF CONTENTS

INTRODUCTION . . . .
SESSION I . . . .
Introduction, Filing Status, Filing Requirements, Filing dates
SESSION II . . . .
Exemptions and Dependents
SESSION III. . . . .
Gross Income
SESSION IV . . . .
Adjustments to Gross Income
SESSION V . . . .
Itemized Deductions (Medical, Taxes, Interest)
SESSION VI . . . .
Itemized Deductions (Contributions, Casualty, Educational and Miscellaneous)
SESSION VII. . . . .
Income Tax Computations (including Schedule G)
Oregon Tax Preparer Licensing Law
IRS Tax Practitioner Law
SESSION VIII . . . .
Oregon Income Tax, HARRP, and PTR
SESSION IX . . . .
Review and Mid-Term Examination
SESSION X . . . .
Basis of Assets, Depreciation
SESSION XI . . . .
Supplemental Income (Rents, Royalties, Pensions, Annuities)
SESSION XII. . . . .
Profit and Loss from Business
Self-Employment Tax
Farm Income and Expenses
SESSION XIII . . . .
Credits
SESSION XIV. . . . .
Capital Gains & Losses
Sales and Exchanges (Bad Debts)
SESSION XV . . . .
Supplemental Gains & Losses
SESSION XVI. . . . .
Personal Residence Sales, Installment Sales
SESSION XVII . . . .
Other Taxes and Payments
Miscellaneous
SESSION XVIII. . . . .
Examination of Returns and Appeal Rights
Course Review
Interview Techniques
SESSION XIX. . . . .
Final Examination
SESSION XX . . . .
Review of all sessions
APPENDIX . . . .

INTRODUCTION

To the INSTRUCTOR of Basic Income Tax:

Many hours of time and effort have gone into the preparation of this manual in the hope that it will be useful to you and your students. It has been prepared by a committee of instructors like yourself, who drafted a manual which meets the teachers' needs, and includes aids we know will be useful in the classroom.

There is an evaluation form included in this guide. To make this manual as useful as possible we need your input. Please note suggestions on format, omissions or corrections and record page numbers on which the suggestions are being made. Your suggestions will be reviewed by the annual revision committee.

The following pages contain lists of: technical publications, textbooks and other resource materials necessary to the teaching of Basic Income Tax. Forms required for each student's use during instruction are listed. These should be ordered prior to the beginning of the course. There is a list of transparencies which will be helpful if an overhead projector is available. A lesson plan has been included which suggests time allotment for new material quizzes, etc.

The Student Workbook has been designed to include vocabulary words with each session as well as interview questions pertinent to that session's subject matter. Interview Techniques are very important and although they are discussed in detail in Session XVIII, the instructor should devote as much class time as possible to this critical area.

The Student Workbook has problems, exercises and tax returns worked into each session. An extensive glossary as well as numerous checklists is included in the Appendix of the Student Workbock.

We cannot emphasize strongly enough that the student must be subjected to forms throughout this course so that the use of the forms becomes second nature and their use is taught as well as theory. Each session has been designed to include all pertinent subject matter. You will learn quickly whether class time is adequate for working the problems.

1982 COURSE SCHEDULE

SESSION

I Class Date:
Introduction, Filing Status, Filing Requirements, Filing Dates
Reading Assignment: Publ. 17, Chapters 1 & 2
Publ. 17½, pages 3-8
ORE 40 Pamphlet, pages 4-7
Homework as assigned by instructor for each session

II Class Date:
Exemptions and Dependents
Reading Assignment: Publ. 17, Chapter 3
1040 Instruction Pamphlet, pages 3-7

III Class Date:
Gross Income
Reading Assignment: Publ. 17, Chapters 7, 8, 9, 10, 13
1040 Instruction Pamphlet, Pages 8-10, 20
40 Instruction Pamphlet, pages 19-22

IV Class Date:
Adjustments to Gross Income
Reading Assignment: Publ. 17, Chapters 14, 15, 16, 17, 12 (pages 45-46)
1040 Pamphlet - Pages 11-12

V Class Date:
Itemized Deductions (Medical, Taxes, Interest)
Reading Assignment: Publ. 17, Chapters 19, 20, 21

VI Class Date:
Itemized Deductions (Contributions, Casualty, Educational, Miscellaneous)
Reading Assignment: Publ. 17, Chapters 22, 23, 24, 25
1040 Pamphlet, Pages 17-20 and 12-13

VII Class Date:
Tax Computations
Oregon Tax Preparer Licensing Law
IRS Tax Practitioner Law
Reading Assignment: Publ. 17, Chapter 33, Review Chapter 1
Oregon Licensing Law Publications

VIII Class Date:
Oregon Income Tax, HARRP & PTR
Reading Assignment: Oregon Publications and Circulars

IX Class Date:
Review and Mid-Term Examination

X Class Date:
Basis of Assets, Depreciation
Reading Assignment: Publ. 17, Chapters 18, 26
Publ. 334, Chapters 6, 13
Publ. 225, Chapters 6, 12

SESSION

XI Class Date:
Rents, Royalties, Pensions, Annuities, Supplemental Income
Reading Assignment: Publ. 17, Chapters 11, 12, review 13
Publ. 334, Chapters 12, 17

XII Class Date:
Profit and Loss From Business
Farm Income and Expenses, Self-Employment Tax
Reading Assignment: Publ. 334, Parts 1-4, Chapters 27, 33
Publ. 225, Chapters 1-5, 15, 17

XIII Class Date:
Credits
Reading Assignment: Publ. 17, Chapters 34, 35, 36
Publ. 225, Chapter 7
Publ. 334, Chapters 31, 32

XIV Class Date:
Capital Gains and Losses, Sales & Exchanges (Bad Debts)
Reading Assignment: Publ. 17, Chapters 27, 29, 31, 32
Publ. 334, Chapters 24, 25, 26

XV Class Date:
Supplemental Gains & Losses
Reading Assignment: Form 4797 Instructions
Publ. 334, Chapter 23
Publ. 225, Chapters 9, 10

XVI Class Date:
Personal Residence Sales, Installment Sales
Reading Assignment: Publ. 17, Chapters 28, 30, review Chapter 14
Publ. 225, Chapter 11
Publ. 334, Chapter 22

XVII Class Date:
Other Taxes and Payments, Miscellaneous
Reading Assignment: Publ. 17, Chapters 4, 5, review Chapters 1, 36
Instruction Pamphlets
Publ. 225, Chapter 13
Publ. 334, Chapter 34
Balance of 1040 Pamphlet

XVIII Class Date:
Examination of Returns and Appeal Rights, Course Review, Interview Techniques
Reading Assignment: Publ. 17, Chapters 6, 37
Publ. 225, Chapters 19, 20

XIX Class Date:
Final Examination

XX Class Date:
Review, Interview Techniques

TEXTBOOKS AND FORMS REQUIRED FOR COURSE

Form	1040A	7
	1040	19
	2038	5
	2106	5
	2119	2
	2210	3
	2440	4
	2441	5
	3468	3
	3903	6
	4255	1
	4562	4
	4684	7
	4797	3
	5695	1
	6251	1
	6252	1

SCHEDULE	A/B	13
	C	2
	D	4
	E	1
	F	1
	G	5
	R	7
	SE	8
OREGON		
FORM	40S	4
	40	9
	40NR	5
	40X & Instructions	1
	70R	6
	Renter W/S	1
	Depreciation	4
	10	2

Textbooks:

Form 1040	Pamphlet
Publ. 17	Your Federal Income Tax
Publ. 225	Farmers Tax Guide
Publ. 334	Tax Buide for Small Business
Oregon Publication:	Pamphlets Form 40, 40NR Publication 17½

TEACHER RESOURCE MATERIAL

SESSION	TRANSPARENCIES	PUBLICATIONS
I	Forms 1040, 40	
II		501, 504
III	Schedule A/B	595, 564, 525, 550, 905
IV	Forms 2106, 3903, 2440	552, 522, 463, 521, 508
V		502, 545
VI		587, 561, 547, 526, 529, 535, 544
VII	Schedule G	506, 1054
VIII	Refund Worksheet Forms 40NR, 70R	Per Session Outline
IX		
X	Form 4562, Oregon Depreciation Schedule	534, 551
XI	Schedule E	530, 588, 575, 567, 721
XII	Schedules C, F, SE	902, 560, 572, 533, 535 583, 378, 906
XIII	Schedule R Forms 2441, 3468, 4255, 5695	503, 524, 903
XIV	Schedule D	548
XV	Form 4797	549
XVI	Form 2119, 6252	523, 537
XVII	Form 2210 1040-ES 1040-X 40-X	559, 505, 590, 531
XVIII	"M"	556

NOTE: Each publication is listed only once, although it will relate also to later sessions.

Additional publications needed: 54, 539, 509, 516, 517, 553, 554, 555

Additional IRS forms needed: 4070, 5070A, W-2, 941, 940

LEARNING MODES

The following is a summary of studies done on the effects of different teaching modes and techniques on the retention of information by mature students.

Learners were found to have the ability to retain

10% of what they read
20% of what they heard
30% of what they saw
50% of what they saw and heard
70% of what they heard themselves say as they talked
90% of what they heard themselves say as they were doing a thing

Methods of instruction and the ability to recall

METHODS	RECALL IN 3 HOURS	RECALL IN 3 DAYS
Telling about only	70%	10#
Showing only	72%	20%
Telling and showing	85%	65%

Senses through which we learn basic knowledge

83% - Seeing

11% - Hearing

3 1/2% - Touching

1 1/4% - Smelling

1% - Tasting

Source: Socony-Vacuum Oil Co.
U.S. Dept. of HEW 1976
Summarized by: Dr. Michael Colbert
Oregon State University

LESSON PLAN OUTLINE
GUIDELINES FOR USE OF THE (3 HOUR) SESSIONS*

5 minutes	I.	Introduction and handouts for class session.
25 minutes	II.	Review previous session's quiz, answering questions.
1 hour	III.	Presentation of new material.
15 minutes		Break.
1 hour	IV.	Continue presentation:
		A. Class assignment (handout) or work problems assigned as homework.
		B. Case studies and interview questions.
		C. Quiz (see note below).
15 minutes	V.	Assigments:
		A. Homework
		B. Handouts for next session

*Variations will exist depending on several things: Whether two sessions have been allocated for one topic. The need to spend more time on certain aspects; correcting problems or answering questions.

Teacher's note: You may wish to assign the homework and reading assignments before beginning the quiz so that students may leave the classroom when quiz is completed.

TO: Course Instructor:

1. You may reproduce the forms below.
2. Do not give to student until he or she has successfully completed the 60 hour course.
3. Students may apply for examination prior to completion of course (applications MUST be in Board office one month prior to exam date), but course must be successfully completed before examination.
4. If course is not completed when student submits exam application to the Board, course certificate may be submitted after receiving state exam results. Others must submit certificate with exam application.
5. Instructor should notify the Board of students not completing the course. Exam applicants not completing the course will receive a refund of exam fee.

* * * * * * * * * * * * * * * *

CERTIFICATION OF EDUCATIONAL SESSION ATTENDANCE 814-150-14 Rev. 10/80

Name of Student ____________ License # ____________

Building/School ____________

City ____________

Date Commenced ____________ Date Completed ____________

If this was a 60-hour basic course, did student successfully complete course? ____________

STUDENTS: SUBMIT THIS CERTIFICATE WITH EXAM APPLICATION (IF COURSE IS COMPLETED); IF COURSE ISN'T COMPLETED, SUBMIT WITH LICENSE APPLICATION OR LICENSE RENEWAL APPLICATION.

STATE OF OREGON
Department of Commerce
Board of Tax Service Examiners
4th Floor, Labor & Industries Building
Salem, Oregon 97310

Course/Seminar Title ____________ Course # ____________

Sponsoring School/Organization ____________

This is to certify that the above-named student has attended the following number of clock-hours of instruction dealing with personal income tax-oriented subjects conducted at the above-named location:

Signature of Student ____________

Signature of Instructor ____________

DO NOT SIGN UNLESS HOURS OF ATTENDANCE CAN BE VERIFIED.

INSTRUCTORS: THESE CAN BE REPRODUCED FOR YOUR USE AS NEEDED.

CERTIFICATION OF EDUCATIONAL SESSION ATTENDANCE

814-150-14 Rev. /82

Name of Student ________ License # ________

Building/School ________

City ________

Date Commenced ________ Date Completed ________

If this was a 60-hour basic course, did student successfully complete course? ________

STUDENTS: SUBMIT THIS CERTIFICATE WITH EXAM APPLICATION (IF COURSE IS COMPLETED); IF COURSE ISN'T COMPLETED, SUBMIT WITH LICENSE APPLICATION OR LICENSE RENEWAL APPLICATION.

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This is to certify that the above-named student has attended the following number of clock-hours of instruction dealing with personal income tax-oriented subjects conducted at the above-named location:

☐ (hours)

Signature of Student ________

Signature of Instructor ________

DO NOT SIGN UNLESS HOURS OF ATTENDANCE CAN BE VERIFIED.

CERTIFICATION OF EDUCATIONAL SESSION ATTENDANCE

814-150-14 Rev.7/82

Name of Student ________ License # ________

Building/School ________

City ________

Date Commenced ________ Date Completed ________

If this was a 60-hour basic course, did student successfully complete course? ________

STUDENTS: SUBMIT THIS CERTIFICATE WITH EXAM APPLICATION (IF COURSE IS COMPLETED); IF COURSE ISN'T COMPLETED, SUBMIT WITH LICENSE APPLICATION OR LICENSE RENEWAL APPLICATION.

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CERTIFICATION OF EDUCATIONAL SESSION ATTENDANCE

814-150-14 Rev.7/82

Name of Student ________ License # ________

Building/School ________

City ________

Date Commenced ________ Date Completed ________

If this was a 60-hour basic course, did student successfully complete course? ________

STUDENTS: SUBMIT THIS CERTIFICATE WITH EXAM APPLICATION (IF COURSE IS COMPLETED); IF COURSE ISN'T COMPLETED, SUBMIT WITH LICENSE APPLICATION OR LICENSE RENEWAL APPLICATION.

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Department of Commerce
Board of Tax Service Examiners
4th Floor, Labor & Industries Building
Salem, Oregon 97310

Course/Seminar Title ________ Course # ________

Sponsoring School/Organization ________

This is to certify that the above-named student has attended the following number of clock-hours of instruction dealing with personal income tax-oriented subjects conducted at the above-named location:

☐ (hours)

Signature of Student ________

Signature of Instructor ________

DO NOT SIGN UNLESS HOURS OF ATTENDANCE CAN BE VERIFIED.

PLEASE READ & SAVE FOR FUTURE REFERENCE

OREGON ADMINISTRATIVE RULES

BOARD OF TAX SERVICE EXAMINERS

CHAPTER 800

Table of Contents

DIVISION 1
PROCEDURAL RULES

800-01-000 Notice of Proposed Rule
800-01-005 Model Rules Procedure

DIVISION 10
CODE OF PROFESSIONAL CONDUCT

800-10-015 Definitions
800-10-020 Confidential Information
800-10-025 Integrity and Objectivity
800-10-030 Accountability
800-10-035 Contingent Fees
800-10-040 Identification
800-10-045 Experience and Competence
800-10-050 Advertising and Solicitation

DIVISION 15
EDUCATION

800-15-005 Basic Education

Continuing Education

800-15-010 Fulfillment of Hours
800-15-020 Course or Seminar Certification
800-15-030 Sponsor Certification; Revocation
800-15-040 Evidence of Fulfilling of Requirements
800-15-050 Qualification of Courses or Seminars for Certification
800-15-060 Instructor Qualifications and credit

DIVISION 20
PROCEDURES

800-20-015 Application for License
800-20-020 Examinations
800-20-025 Fees-Renewals
800-20-026 Refunds
800-20-027 License Expiration and Renewal
800-20-030 Licenses
800-20-031 Certificates
800-20-034 Inactive Licenses
800-20-035 Lapsed Licenses
800-20-050 Corporations, Firms, or Partnerships - Authorized Individuals
800-20-055 Assumed Business Names
800-20-060 Branch Offices
800-20-065 Displaying of Licenses
800-20-070 Keeping of Records
800-20-080 Board Meeting Minutes
800-20-085 Board Meetings - Rules of Procedure

DIVISION I

PROCEDURAL RULES

Notice of Proposed Rule

800-01-000 Prior to the adoption, amendment, or repeal of any rule, except temporary rules adopted under ORS 183.335(5), the State Board of Tax Service Examiners shall give notice of the proposed adoption, amendment, or repeal:

(1) In the Secretary of State's Bulletin referred to in ORS 183.360 at least fifteen (15) days prior to the effective date.

(2) By mailing a copy of the notice to persons on the State Board of Tax Service Examiners' mailing list established pursuant to ORS 183.335(7).

(3) By mailing a copy of the notice to the following organizations or publications:

(a) United Press International and Associated Press;

(b) Association of Tax Consultants.

(c) Oregon Society of Tax Consultants

Model Rules of Procedure

800-01-005 The Attorney General's Model Rules of Procedure under the Administrative Procedure Act and as in effect as of November 17, 1981, are adopted by reference by the State Board of Tax Service Examiners.

DIVISION 10

CODE OF PROFESSIONAL CONDUCT

Definitions

800-10-015 As used in these rules, unless the context requires otherwise:

(1) "Board" means the State Board of Tax Service Examiners.

(2) "Licensee" means a tax consultant, tax preparer, or any person, corporation, firm or partnership falling within the purview of ORS 673.605 to 673.735.

(3) "Client" means a person for whom a licensee prepares a personal income tax return for valuable consideration.

(4) "Confidential Information" means information furnished to a licensee for, or in connection with, the preparation of a client's income tax return.

Confidential Information

800-10-020 (1) A licensee shall not disclose any confidential information obtained in the course of professional engagement except:

(a) With the consent of the client;

(b) After being subpoenaed and a court of competent jurisdiction directs him to testify;

(c) In response to an inquiry by the Board or its investigator.

(2) Members of the Board and its employes shall not disclose any confidential client information which comes to their attention in carrying out their official responsibilities.

Integrity and Objectivity

800-10-025 (1) A licensee shall not knowingly misrepresent facts while engaged in preparing or advising in the preparation of income tax returns. He may resolve doubt in favor of his client as long as there is reasonable support for his position.

(2) A licensee who finds that his client

has made an error or omitted information or related material required on an income tax return shall promptly advise the client of such error or omission.

(3) A licensee shall not arrange for a refund check to be mailed to him at any time, for any purpose.

(4) A licensee shall not, in connection with the procurement of clients, directly or indirectly, allow any brokerage commission or other participation to the laity from the fees or profits of his professional services of income tax preparation. Fees in connection with preparation of tax returns must be stated separately from, and in addition to, any other professional services provided.

(5) A licensee shall, upon written request by a client, make available or return within a reasonable time to the client personal papers or source material in the manner furnished to licensee by client.

(6) A licensee shall not engage in fraudulent, deceptive or dishonest conduct relating to the licensee's professional practice.

(7) A licensee shall not violate any position of trust, including trusts outside the licensee's professional practice.

Accountability
800-10-030 A licensed tax consultant shall only allow persons to practice in his name who are licensed as tax consultants, tax preparers, or described in subsection (4) of ORS 673.610.

Contingent Fees
800-10-035 A licensee shall not render or offer to render professional services under an arrangement whereby no fee will be charged unless a specific finding or result is attained, or where the fee is otherwise contingent upon the findings or results of such services.

Identification
800-10-040 (1) A licensee shall not prepare any federal or state personal income tax return on which he has not placed his firm name and permanent address on the original and all copies of such returns, plus all other data required of him by Internal Revenue Service, Department of Revenue, and State Board of Tax Service Examiners. At least one complete set of returns shall be supplied to the client.

(2) Where the preparer's signature appears on the tax return, there shall be included:

(a) The state license number of the tax consultant responsible for the preparation. If more than one tax consultant has been designated as responsible for the tax activities of the firm, corporation, or partnership, the return shall include the license number of at least one designated tax consultant.

(b) The state license number of individual preparing the return.

(3) A tax consultant shall provide a year-round phone number and address where clients and the Board may contact him.

Communications
800-10-042 A licensee shall, when requested, respond in writing to communications from the Board within thirty days of the mailing of such communications to the last known address or addresses furnished to the Board by licensee.

Experience and Competence
800-10-045 A licensee shall not knowingly undertake to prepare tax returns that are outside the field of his experience and competence unless he obtains the assistance of someone who is competent in the area of concern.

Advertising and Solicitation
800-10-050 (1) No licensee shall advertise or solicit clients in any manner which is misleading to the public.

(2) No licensee shall give or offer to give any tangible inducement in the procurement of income tax clients.

(3) No licensee shall give or offer to give a discount unless:

(a) The discount is based upon a conspicuously posted fee schedule at the licensee's place of business; and

(b) The posted fee schedule is the usual and customary charges; and

(c) The posted fee schedule is made available to the general public.

(4) No person shall display or use the designation of L.T.C. unless duly authorized by virtue of holding a valid tax consultant's license.

(5) Only a licensed tax consultant may use the letters L.T.C. or the title "Licensed Tax Consultant" in connection with his name. A licensed tax preparer may only use the title "tax preparer". He may not use any acronyms or abbreviations such as L.T.P. or T.P.

(6) All advertising used in the solicitation of business must include the name of the tax consultant or business name through which the tax consultant renders his services.

(7) In the solicitation of clients, no licensee shall directly or indirectly downgrade or cast doubt upon the ability, competence, experience, or character of another tax consultant, tax preparer, public accountant, certified public accountant, or any other person authorized by law to prepare tax returns.

DIVISION 15

EDUCATION

Basic Education

800-15-005 (1) Any college, university, private vocational school, or firm may act as a sponsor for a qualifying 60-hour basic income tax course if it meets the following requirements:

(a) Sponsors shall apply for course certification on a form provided by the Board.

(b) The Board shall furnish the sponsor the outline of the course which shall be followed and maintained on a basic level by all instructors.

(c) Each 60-hour basic course shall include a midterm and final examination.

(d) Instructors shall certify those who successfully complete the basic course. If a student misses a portion of the class sessions, the instructor shall provide make-up work.

(e) Instructors shall:

(A) Possess a background, training, education, or experience which qualify them to instruct a course in basic income tax preparation;

(B) Have three years' recent experience in the preparation or auditing of income tax returns.

The Board may grant a specific waiver to either of the above instructor qualifications when unusual or extenuating circumstances exist.

(f) Federal and state income tax forms shall be used in the instruction process whenever possible.

(g) Applications for course certification shall be submitted annually. Certification shall be from June 1 through May 31 of the subsequent calendar year.

(h) In the event the basic course is offered through correspondence, all topics included in the Board approved outline shall be included. The course shall be equivalent to 60 classroom hours or more. For initial certification, a complete copy of the course outline, lesson assignments, and examinations shall be submitted to the Board for approval. Each year thereafter, only updated course material must be submitted for Board certification.

(2) Evidence of successful course completion shall be furnished to students by course instructors on a Board approved session attendance certification form. Appropriate forms are available from Board office. First 10 forms are furnished at no cost. Additional copies are

available at 50 for $1.00. Forms may be reproduced by course sponsors.

Continuing Education

Fullfillment of Hours

800-15-010 (1) Except for renewal of an initial license, a tax consultant or tax preparer renewing a license, shall complete at least 20 hours of continuing education since the last renewal date. No classroom hours of continuing education shall be carried over to a subsequent renewal date.

(2) Continuing education credit may be given for hours completed after passage of examination and before initial licensing.

(3) Tax consultants' and tax preparers' continuing education period shall be the same as license renewal period, except that at the option of the licensee, education credits earned over the required hours in the month of renewal may be withheld and submitted to the Board with the subsequent renewal application.

(4) The following continuing educational requirements shall apply after an applicant is issued an initial tax consultant's license:

(a) If a tax consultant's initial license period is six months or less, the continuing educational requirements for this period are waived.

(b) If a tax consultant's initial license period is more than six months, the continuing educational requirements for this period shall be the same as for the full license year.

(5) The following continuing educational requirements shall apply after an applicant is issued an initial tax preparer's license:

(a) If a tax preparer's initial license period is ten months or less, the continuing educational requirements for this period are waived.

(b) If a tax preparer's initial license period is more than ten months, the continuing educational requirements for this period shall be the same as for the full license year.

(6) The following continuing educational requirements and evidence of completion of such requirements shall apply when a tax preparer passes the tax consultants examination and makes application for a tax consultant's license:

(a) If the applicant's license renewal period has more than three months remaining, the continuing educational requirements shall be the same as for the full license year and shall be completed. Evidence of such completion shall be submitted prior to the renewal of the initial consultant license.

(b) If the applicant's license renewal period has less than three months remaining, evidence of completion of the continuing educational requirements for this period shall accompany application for initial tax consultants license.

Course or Seminar Certification

800-15-020 (1) Application for certification of continuing education credit shall be made by sponsors on a form prescribed by the Board in advance of course or seminar offering. Notice of approval or denial shall be forwarded to sponsor by the Board.

(2) Certification may be revoked by the Board if the sponsor fails to offer the course or seminar as set forth in the application for certification or fails to teach the topics set forth in the application in a manner beneficial to the licensee.

(3) Credit may be requested for attendance at out-of-state educational programs, providing the subject covers an approved topic. The licensee must provide a signed statement, under penalty of perjury, disclosing the following information pertaining to the program submitted for continuing education approval:

(a) School, firm or organization conducting course;

(b) Location of course or seminar;

(c) Title and description of content;

(d) Principal instructor;

(e) Dates and hours attended;

(f) Hours claimed.

Sponsor Certification; Revocation

800-15-030 (1) Sponsors certified by the Board may be exempt from submitting an application for each program. Sponsors may be certified who have a record of offering primarily one- or two-hour programs and certify to the Board they will:

(a) Maintain an Education Certification Record Book showing for each program:

(A) Date, time and location.

(B) Names and addresses of instructors.

(C) Number of hours involved in presentation.

(D) Title and outline of program (adhering to approved topics).

(E) Attendance roster - signed by participants.

(b) Maintain the record book within the state and make it available for inspection by the Board.

(c) Conduct its education programs in a manner to enhance professional development of participants.

(2) The Board may suspend or revoke sponsor certification for:

(a) Failure to maintain adequate records;

(b) Failure to provide access to records for inspections;

(c) Failure to follow approved topics as specified in OAR 800-15-050(1);

(d) Failure to comply with ORS 673.605 to 673.735 and the rules adopted thereunder or the statutes of the United States, or the State of Oregon;

(e) Failure to conduct its activities and education programs in a manner to enhance professional development of participants; or

(d) Dishonest or unethical conduct.

Evidence of Fulfilling Requirements

800-15-040 (1) Licensees shall receive session attendance certification forms from course or seminar sponsors. Appropriate forms are available from Board office. The first 10 forms are furnished at no cost. Additional copies are available at 50 for $1. Forms may be reproduced by course sponsors.

(2) Continuing education certification forms shall be retained by the licensee and submitted to the Board office together with the application for license renewal.

Qualification of Course or Seminars for Certification

800-15-050 (1) Upon meeting all other requirements, the following topics shall receive approval upon written application to the Board:

(a) How to file;
(b) Income;
(c) Adjustments;
(d) Deductions;
(e) Credits;
(f) Depreciation;
(g) Oregon;

How to file:
    Resident;
    Nonresident;
    Part-year Resident;
    Domicile vs. Resident;
Additions;
Subractions;
Credits;
Minimum Tax;
70R

(h) Other Tax Related Topics:
Alternative Tax (Schedule D);
Amended Returns;
Amortization;
Bad Debts;
Cancellation of Debt;
Clergymen Income & Expenses;
Deceased Taxpayer;
Depletion - Gas Oil, Etc.;

ncome Averaging;
Income Earned Abroad;
Installment Sales;
Involuntary Conversions;
Lease & Leaseholds;
Lump Sum Distribution of Pension or Profit Sharing Plans, Etc.;
10-Year Averaging;
Minimum & Maximum Tax;
Net Operation Losses;
Options to Buy & Sell;
Recapture of Investment Credit;
Repossession of Installement Sales;
Self-Employment Tax;
Underpayment of Estimate;
Out-of-State Returns;
Corporations & Subchapter S;
Fiduciaries;
Tax Changes;
Tax Exempt Organizations;
Estate Planning;
Partnerships;

Additional topics may be granted approval upon written request to the Board, providing all other requirements are met.

(2) An approved basic income tax course shall qualify for continuing education credit. Only actual hours attended shall be given credit. Mid-term and final examinations shall be taken by licensee, but results shall not affect the amount of credit received for the course.

(3) The program shall:

(a) Require attendance;

(b) Be at least one class hour (50-minute period) in length with credit given for whole hours only;

(c) Be conducted by a qualified instructor or discussion leader.

(d) Require a maintained record of attendance;

(e) Require a written outline;

(4) Formal correspondence or other individual study programs (including taped study programs) which provide evidence of satisfactory completion may qualify if topics is approved.

(5) Continuing education credit shall be granted only once during a license year for attendance at duplicate seminars offered by the same sponsor.

(6) "In-Company" Courses: Firm or company sponsored courses or seminars for ten or more staff or non-staff personnel may qualify if they meet the requirements of this section. Portions of such educational sessions devoted to adminstrative and firm matters shall not be included.

Instructor Qualifications and Credit

800-15-060 (1) A qualified instructor or discussion leader is one who has the requisite background, training, education, or experience to instruct or lead a discussion on the subject matter of the particular program.

(2) Continuing education credit may be allowed instructors of approved basic or advanced courses or seminars. The credit allowed an instructor, discussion leader, or a speaker shall be one hour for each hour of teaching.

DIVISION 20

PROCEDURES

Application for License

800-20-015 (1) Application to take the examination for a tax preparer or tax consultant must be filed with the Board on forms prescribed and furnished by the Board, together with the examination fee. The application must be signed.

(2) The application and examination fee shall be filed with the Board no later than one month prior to the examination date, except that applicants failing to pass the December examination may file an application and examination fee with the Board no later than 15 calendar days prior to the following January examination date.

(3) Applicants for the tax preparer's examination must have successfully completed a Board approved 60-hour basic course in income tax preparation before being admitted to the examination. Tax preparer applicants may file an application before completing the tax course. Applicants who have completed a course of study which has not received prior approval of the Board shall furnish the Board a brief outline of courses completed, together with a transcript from the educational institution. If, in the judgment of the Board, the courses completed meet the requirements comparable to those described in OAR 800-15-005, the applicant shall be eligible to take the examination.

(4) Basic course certification forms as required under OAR 800-15-005(2) shall be submitted to the Board by the student together with application to take the tax preparer's examination. If the student has not completed the tax course prior to filing the examination application, the basic course certification shall be submitted with application for license.

(5) A tax consultant applicant who is a licensed tax preparer shall submit verification by the applicant's employer or employers on forms prescribed and furnished by the Board that the applicant has worked in the capacity of a tax preparer not less than an average of 30 hours per week during two of the last five tax seasons.

(6) A tax consultant who is claiming equivalent tax preparer experience shall submit on forms prescribed and furnished by the Board:

(a) Verification by the applicant's employer or employers that the applicant has worked in the capacity of a tax preparer an average of 30 hours per week for two of the last five tax seasons or its equivalent. The Board will accept employment as an income tax auditor with the Internal Revenue Service or State Deparment of Revenue as being equivalent experience.

(b) A petition signed under penalty of perjury that the work experience claimed is true, correct and complete.

(7) If an applicant has worked less than an average of 30 hours per week during two of the last five tax seasons the Board may consider the number of hours employed, the number of tax seasons employed, the number of tax returns prepared and whether the work involved contributed directly to the professional competence of the individual in determining if a tax preparer has met the work experience requirement of ORS 673.625(3)(a).

(8) A tax consultant applicant claiming tax consulting experience in another state shall:

(a) Submit, on form prescribed and furnished by the Board, a petition signed under penalty of perjury, claiming self employment as a tax consultant for no less than two of the last five tax seasons.

(b) Furnish documented proof of self employment as a tax consultant.

(9) Information required of the applicant and on the application forms shall be complete before an applicant may be admitted to an examination.

(10) Prior to examination, the Board will mail applicant an examination I.D. number and inform applicant of the location, time, and date of scheduled examination, and other pertinent information.

Examinations

800-20-020 (1) Unless the Board determines otherwise, examinations for tax preparers and tax consultants shall be held on the second Friday of the months of January, July, and December of each year in Salem, and on the second Saturday of December statewide. The Board may hold a special examination at other times.

(2) Tax preparer and tax consultant applicant's examination shall be written. Questions shall be so constructed as to measure the applicant's knowledge of Oregon and federal personal income tax law, theory and practice; the provisions of ORS 673.605 to 673.735 and the Code of Professional Conduct. The tax consultant examination shall require a higher standard of knowlege.

(3) A tax preparer applicant must have at least a 75% grade or score on the entire examination to pass.

(4) A tax consultant applicant must have at least a 75% grade or score on Part A of the examination and at least a 75% grade or score on Part B of the examination to pass. However, a person who passes only one part of the examination shall have thirteen months from the date of such examination to retake and pass the other part in order for the successfully completed portion of the examination to remain valid . Failure to retake and pass the part of the examination failed within the prescribed period shall necessitate the submission to and passing of another complete examination.

(5) Pass or fail results of the examination shall be mailed to the applicants. Scores shall be furnished to all candidates. No review of examination questions by the applicant will be granted.

(6) An applicant who fails to take or pass the examination shall not be entitled to the return of the examination fee.

(7) An applicant who fails to pass the examination shall be eligible for the next succeeding examination upon making application and payment of the examination fee.

(8) An applicant who passes an examination must apply for licensing within 60 days from the examination date. If application for license is not made within 60 days, the applicant must be reexamined.

Fees — Renewals

800-20-025 (1) A fee of $25 shall be paid to the Board with each application for examination as a tax consultant or a tax preparer. A $25 fee shall be paid by the applicant for each subsequent examination.

(2) The annual license fee for tax consultants shall be $35. The license shall expire on May 31 of each year.

(3) Each applicant who has passed the examination and applied for an initial tax consultant's license on or before November 31 shall pay an initial $35 license fee. Each applicant who has passed the examination and applied for an initial tax consultant's license after November 30 shall pay an initial $25 license fee.

(4) The annual license fee for tax preparers shall be $25. The license shall expire on September 30 of each year.

(5) Each applicant who passed the examination and applied for an initial tax preparer's license on or before February 28 shall pay an initial $25 license fee. Each applicant who has passed the examination and applied for an initial tax preparer's license after February 28 shall pay an initial $17.50 license fee.

(6) At least 30 days before the license expiration date each year, the Board shall mail a renewal notice to each licensed tax consultant's last known address as follows:

(a) To the residence address of tax consultants employed by another tax cosultant or persons listed in ORS 673.610(4).

(b) To the street address or the mailing address (if different) of the principal place of business of the self-employed tax consultant or designated tax consultant for a corporation, firm, or partnership.

The renewal notice shall provide the needed information for timely payment and space for the licensee's signature.

(7) At least 30 days before the license expiration date each year, the Board shall mail a renewal notice to each licensed tax preparer's last known residence address. The renewal notice shall provide the needed information for timely payment and space for the licensee's signature.

(8) A tax consultant shall pay an annual renewal fee of $35. The fee must be accompanied by proof of required continuing education and signed renewal application notice.

(9) The fee for an inactive tax consultant's license is $20.

(10) A tax preparer shall pay an annual renewal fee of $25. the fee must be accom-

panied by proof of required continuing education and signed renewal application notice.

(11) The fee for an inactive license as a tax preparer is $15.

(12) A tax consultant's or tax preparer's license shall lapse which is not renewed prior to the fifteenth day following the date of expiration. The fee for restoration of a lapsed license is $15 in addition to all past unpaid renewal fees.

(13) The fee for reactivation of a tax consultant's inactive license shall be $35.

(14) The fee for reactivation of a tax preparer's inactive license shall be $25.

(15) The fee for replacement or duplicate license shall be $3.00.

Refunds

800-20-026 (1) Application fees shall be refunded only when the applicant is not qualified.

(2) A refund shall not be made to an examination applicant who makes application in anticipation of successfully completing the required 60-hour basic course and fails to complete the required course. However, if the applicant establishes that failure to successfully complete the course was beyond the reasonable control of the applicant, and notifies the Board no later than 15 days prior to the examination date, the applicant may, upon successfully completing the course, take one of the next two examinations given by the Board without payment of an additional fee.

(3) If an applicant is prevented from taking an examination due to circumstances beyond the applicant's control and notifies the Board prior to the time of examination, the applicant may make application to take the examination at one of the next two examinations given by the Board without payment of an additional fee.

Licenses

800-20-030 (1) Applicants who pass the required examination and meet all other requirements shall be issued a license upon request and payment of the license fee. The licensee shall be assigned a permanent license number.

(2) Renewal licenses shall be issued upon receipt of signed renewal application notice, proof of required continuing education, and appropriate fee.

(3) The license shall contain the name and address of the licensee, date of expiration, and license number.

(4) Licenses shall be mailed as follows:

(a) To the residence address of tax preparers and the residence address of tax consultants employed by another tax consultant or persons listed in ORS 673.610(4).

(b) To the street address of the principal place of business or the mailing address (if different) of the self employed tax consultant or designated tax consultant for a corporation, firm, or partnership.

(5) The licensee shall be issued a pocket identification card containing the name of licensee, date of expiration, and license number.

(6) Tax consultants and tax preparers shall keep on file with the Board their current residence address and telephone number. In addition, self employed tax consultants or tax consultants designated as responsible for the tax return preparation activities and decisions of a corporation, firm, or partnership shall keep on file with the Board their current physical business address and business telephone number. Whenever any of the information required in this section changes, the licensee shall immediately notify the Board.

(7) Tax consultants who employ any person described in subsection (4) of ORS 673.610 to act in the capacity of a tax preparer or tax consultant under their supervision shall report to the Board the names of these persons and the basis for their exemption.

Certificates

800-20-031 (1) Persons licensed as Tax Consultants shall be issued a certificate stating that the licensee is licensed and authorized to practice as a Tax Consultant.

(2) Certificates may be displayed by the licensee so long as the license holds a current valid license as a Tax Consultant. If a Tax Consultant's license becomes in-active or shall lapse, the holder shall no longer display the certificate.

(3) If a Tax Consultant's license is suspended or revoked, the certificate becomes the property of the Board and shall on demand be delivered by the holder to the Board of Tax Service Examiners.

Inactive Licenses

800-20-034 An inactive license may be reactivated within five years upon payment of the fee for an active license and proof of compliance with all past continuing education requirements the same as if the licensee had held an active license. An inactive license shall not be activated after five years. If an inactive license is not reactivated within five years the license is deemed to have lapsed and the Board shall not restore the license.

Lapsed Licenses

800-20-035 A lapsed license may be restored within three years upon payment of all past unpaid fees and proof of compliance with the statutory continuing education requirement. A lapsed license shall not be restored after three years.

Corporations, Firms, or Partnerships — Authorized Individuals

800-20-050 (1) Upon annual renewal, as required by ORS 673.651, the tax consultant or tax consultants designated as responsible for the tax return preparation activities and decisions of the corporation, firm, or partnership shall so indicate this responsibility on the appropriate signed license renewal notice.

(2) If the designated tax consultant or tax consultants cease to be connected with the corporation, firm, or partnership, the corporation, firm, or partnership shall have the right to designate another tax consultant as the responsible individual. Notice in writing shall be given to the Board prior to any such change of designated tax consultant. A form prescribed by the Board shall be signed by the designated consultant and submitted by the corporation, firm or partnership.

(3) A tax consultant may act as the designated tax consultant for only one corporation,, firm or partnership except by application of the tax consultant and approval by the Board.

(4) An application to serve as a designated tax consultant for more than one corporation, firm, or partnership shall set forth the following:

(a) The name and address of the corporation, firm or partnership for which the tax consultant is presently serving as the designated tax consultant.

(b) The name and address of additional corporation, firm or partnership for which the tax consultant is requesting approval to serve as the designated tax consultant.

(c) A detailed plan how each corporation, firm or partnership will be supervised in carrying out the duties as a designated tax consultant.

(d) The financial relationship of the proposed designated tax consultant to the corporation, firm or partnership.

(e) Unusual or extenuating circumstances why approval should be granted.

(5) In determining whether a tax consultant will be approved to act as a designated tax consultant for more than one corporation, firm or partnership, the Board:

(a) May approve an application only wherein the tax consultant has an ownership interest in the corporation, firm, or partnership, or unusual or extenuating circumstances exist, such as the death of a designated tax consultant, resulting in undue hardship. The Board may limit the tax consultant designation period.

(b) Shall consider the tax consultant's past record of compliance with ORS 673.605 to 673.735, rules of the Board, statutes of the State of Oregon together with information set forth in the application, particularly the feasibility of the plan in supervising the corporation, firm, or partnership.

Assumed Business Names

800-20-055 (1) A tax consultant shall conduct his business only under the name or names furnished the Board on his initial or renewal application for license. A tax consultant shall not conduct his business under an assumed business name unless the name is registered with the Corporation Commissioner.

(2) Notice in writing shall be given to the board prior to any change of name under which a tax consultant is conducting his business.

Branch Offices

800-20-060 (1) The address of each branch office in operation each year shall be reported by the Tax consultant upon filing applications for license renewal.

(2) Tax consultants shall furnish the Board, in writing, with the address of any branch office within 30 days of the occurance of any of the following:

(a) Opening of a new branch office;

(b) Termination of a branch office;

(c) Change of location of a branch office.

(3) The name of the responsible tax consultant, or name under which the tax consultant renders services shall be posted conspicuously in or on each branch office.

(4) For purposes of this section, branch office means an office or place of business where clients receive the services of a licensee.

Displaying of Licenses

800-20-065 A tax consultant or tax preparer shall display his license in a conspicuous place in his principal place of business.

Keeping of Records

800-20-070 (1) If a tax consultant is employed by another tax consultant, the records shall be kept by the employing tax consultant.

(2) If the tax consultant who has been designated as responsible for the tax return preparation activities and decisions of the corporation, firm, or partnership, the records shall be retained by the corporation, firm, or partnership.

Board Meeting Minutes

800-20-080 Minutes of all Board meetings shall be recorded and maintained in the Board office. Copies may be purchased for $1.00 per copy or $6.00 per year. Copies shall be furnished without charge to any state or federal agency.

Board Meeting — Rules of Procedure

800-20-085 (1) Board procedure shall be governed by Robert's Rules of Order and rules adopted by the Board.

(2) There shall be an annual election of Chairman and Vice-chairman by secret ballot.

SPECIAL USER FEEDBACK FORM
(INSTRUCTIONAL DIVISION FOR VOCATIONAL EDUCATION)

To assist us in continuing to serve effectively the needs of vocational and technical educators, would the USER of the Tax Preparer's Manual and Student Workbook please respond to the following questions. Your responses will help us to determine the kinds of changes you find are needed.

---

1. Please circle your job title (e.g. teacher, administrator, counselor, coordinator, local director, full-time; part-time; other ____________________)

2. Rate the Tax Preparer's Manual on the following dimensions: (Please circle the response which more accurately describes the publication.)

   E - Excellent; VG - Very Good; G - Good; F - Fair; P-Poor

   A. Content e.g., information relevant to the tax preparation. Enumerate pages and why changes need to be made: ____________________ E VG G F P

   B. Content e.g., problems, information accurate. Enumerate pages and why changes need to be made. ____________________ E VG G F P

   C. Content organized in a way easy to teach. Enumerate pages and why changes need to be made: ____________________ E VG G F P

   D. Reproduction quality. Enumerate pages and why changes need to be made: ____________________ E VG G F P

   Additional Comments: ____________________

Please forward this form to Employee & Management Development
Clackamas Com. College
19600 S. Molalla Ave.
Oregon City, OR 97045

T/SES1/6

9) Medical expenses:
    a) Expenses paid for persons who would qualify as a dependent except for the gross income test
    b) Medical mileage
    c) Meals and lodging for medical purposes
    d) Special foods prescribed for medical reasons

10) Federal energy credit rules as they differ from state rules.

11) Penalty rules and exceptions for underestimating.

12) Miscellaneous deductions:
    a) Work clothes
    b) Other employment related expenses

NOTE: Except for the first five subjects listed above, some of these subjects may, or may not, appear in subsequent examinations.

In addition to preparing your students to pass the tax preparer's examination, it is also of great importance that you train them to be knowledgeable, conscientious, and responsible income tax preparers.

We hope we have been of assistance to you and we wish you well!

Sincerely,

Elinor Blundell

Elinor Blundell
Administrator

EB/nlt

VICTOR ATIYEH
GOVERNOR

Department of Commerce
BOARD OF TAX SERVICE EXAMINERS
FOURTH FLOOR, LABOR & INDUSTRIES BLDG., SALEM, OREGON 97310 PHONE (503) 378-4034
Toll-Free #1-800-452-7813

Dear Instructor:

To implement further your basic training course for income tax preparers, the Board of Tax Service Examiners has prepared the following list of subjects which presented difficulties for more than half of the 692 examinees who sat for the December, 1979 tax preparer's examination.

Our examination consultant recommends not only intensive initial introduction to the first three subjects, but emphasis throughout the entire course of study.

1) Filing requirements:
    a) Dependent with unearned income
    b) Married filing separately
    c) Returns for decedents

2) Filing status:
    a) Head of household
    b) Married persons living apart

3) Dependents:
    a) Support test
    b) Gross income test

4) Oregon rules and regulations:
    a) Additions and subtractions
    b) Credits
    c) Form 40-NR

5) Tax Service Examiners Law and Code of Professional Conduct.

6) Income:
    a) Who is taxable on what income
    b) Taxable and non-taxable interest (federal and state rules)
    c) Other income (gifts, inheritances, etc.) taxable and non-taxable
    d) Taxable or non-taxable income for clergymen

7) Treatment of non-business bad debts.

8) Education expense:
    a) Whether minimum job requirements have been met
    b) How and where to deduct education travel expense

SESSION I

INTRODUCTION

FILING STATUS, FILING REQUIREMENTS AND FILING DATES

Reading Assignment: Publication 17, Part I, Ch. 1 and 2
Publication 17 1/2, pgs. 3-8
Oregon 40 Pamphlet, pgs. 4-7

Forms Required for Class Handouts: Six 1040's per student for situations (or 5 1040 A's and 1 1040), one 1040 and 40 per student for "Guided Tour".

I. Teacher Hint:

The format of Session I will be, of necessity, different than the following sessions, as student has not read material. There, of course, is no review of previous session quiz. Time can be allowed in class to read part of assignment. Quiz can be allowed as homework rather than quiz or given at beginning of Session II. Lecture time will be longer for this session.

II. Introduction of New Material

III. Teaching Hints:

A. Vocabulary (Student Workbook)

B. Interview Questions (Student Workbook)

C. Students should be advised at the beginning of the course of the regulations that are required in order to sit for the state examination.
   1. they must be at least 18 years of age.
   2. they must have a high school diploma or equivalency.
   3. they must successfully complete an approved 60-hour basic income tax course.

IV. Problems for students to work in class or as homework (Student Workbook)

V. Reading assignment and homework for following session (Student Workbook)

VI. Short Quiz

VII. Resources for teacher

A. Transparencies, 1040 pages 1 and 2
40 pages 1 and 2

B. Supplemental books:
Publication 225, Farmer's Tax Guide

Publication 334, Tax Guide for Small Business
Tax Service Guides

C. Keys to Problems and Quiz

II. INTRODUCTION OF NEW MATERIAL

Introduction

Our income tax law is designed to be a voluntary system. It is extremely important that we know all the legal deductions and credits, what is taxable and nontaxable, etc., so that every American pays no more tax than is necessary, using whatever legal means available in applying the income tax laws to their advantage.

The federal tax system provides the monies necessary for the operation and services of our government, the cost of which increases yearly. The 16th Amendment adopted in 1913 was the beginning of the Internal Revenue collections. Prior to that time taxes were collected based on occupation, certain items of trade or customs which were mainly for revenue to fight wars. The Internal Revenue Service was created to detect fraud and enforce the function of tax collection. Major recodifications were made in 1954, 1969 (Tax Reform Act) with revisions in 1976 and 1978, and the Economic Recovery Act of 1981. The federal law applies to all citizens of the United States. These laws created by Congress are known as the Internal Revenue Code. Regulations (Regs) are IRS interpretations of the law. Rulings are written statements of the national office of the IRS. If a taxpayer requests an interpretation, a technical advice memoranda may be issued by the IRS.

Career Orientation: The field of tax preparation is a challenging career. It is a career that can be part time for the homemaker who does not want to work year-round or anyone who wants to supplement their income. There are also opportunities in the field that can develop into year-round employment. Many CPA's desire that their employees have a tax preparer's license.

Tax Preparer's Laws: There are both federal and state laws governing tax preparers.

Congress, in 1976, passed a law governing all tax preparers who prepare income tax returns for others and are compensated. These laws will be covered more comprehensively in Session #7.

In Oregon, anyone who prepares, advises, or assists in the preparation of personal income tax returns for a fee must be licensed or exempt from the law. (CPA's and qualifying attorneys are exempt.) There are two levels of licensing. The entry level is that of a Tax Preparer who upon qualifying must pass a state examination. A Tax Preparer must work under the supervision of a Licensed Tax Consultant, CPA, PA, or qualifying attorney. The higher level is that of a Licensed Tax Consultant, also achieved through a state examination, in addition to certain education and experience requirements. (See Oregon Tax Services Law.)

Objectives of this Course are: 1) To prepare the student to take the state examination; 2) To help them gain a firm understanding of basic income tax theory; and 3) To teach a practical approach to the preparation of income tax returns. The student who successfully completes the course will not be an expert. The student will, however, be able to accurately prepare an average individual income tax return. All reading assignments, lectures, problems, and tax computations will be based on 1981 tax law as required by the Oregon State Board of Tax Service Examiners. It is important to stress that students read their assignments and every word on the forms. They will find that words such as: "or", "must", "may", "generally", "except", etc., are not only very important, but also mean exactly what they indicate. It is expected that the student will need 2 to 3 hours study preparation time for each session.

Occasionally, you will be unable to answer student questions, in which case you will either look the problem up or assign the question to the student or the class as a whole to research the answer. This is part of their training, to recognize a problem and look it up. Other information for research is available by consulting tax handbooks published by major tax services (Commerce Clearing House, Prentice-Hall, Research Institute, etc.). Most libraries have full tax service information. The IRS publishes additional information according to special subject matter. These publications are available upon request from the IRS (see list in Publication 17).

Explain class procedures.

Guided Tour of the Tax Return Make certain everyone has a

1040 so that they may take notes for future reference. Do not use figures on this overview. That will be included later in the course. Also use pages 1 and 2 of Oregon Form 40 citing the additional information required. While income taxes are a complex subject, they are not impossible to learn. Terminology will become familiar with repeated use. We are going to start very simply and build, adding new things each session while at the same time reviewing what we have learned in the previous sessions.

I. Guided Tour: 1040

A. Heading

1. Point out how IRS identifies the taxpayer and that all the information needs to be filled in, including social security number. (Hint: now is when you point out that all tax returns are printed in pencil). All of the heading is part of the interview technique; asking questions
2. Presidential Election Campaign Fund line explained at this point.
3. Status; this determines the tax rate.
4. Exemptions and dependents determines a portion of your income tax that will not be taxed.

B. Compile Income

1. Income; briefly explain the income section:
    - a. Wages, salaries (W-2)
    - b. Dividends and interest
    - c, Other income
2. Stress the importance of recordkeeping. (Hint: at this point explain rounding off to whole dollars)

C. Subtract Adjustments

1. Moving expense, employee business expense, alimony, retirement plans, and disability income exclusion, explain briefly.
2. Adjusted Gross Income (AGI).

D. Compute Tax

1. Explain briefly itemized deductions, Zero Bracket Amount (ZBA), tax tables and rates.
2. Taxable Income
3. Find tax tables and rates in IRS Instructions and the Oregon Form Pamphlets.

E. Subtract Credits

1. Political contributions, credit for the elderly, child care credit, investment credit, foreign tax credit, energy credit.
2. Credits reduce the tax liability.

F. Add Other Taxes

1. Self-employment, minimum tax, alternative minimum tax, recomputing investment credit, FICA on tips, uncollected FICA and RRTA tax on tips, tax on IRA.
2. These taxes are in addition to those computed above.

G. Payments

1. Withholding (W-2), estimates, earned income credit, payment with extension, excess FICA or RRTA, gas tax credit and regulated investment company credit.

H. Refund or Balance Due

1. Overpayment
2. Refund or credit to estimated tax
3. Balance due
4. Underpayment penalty (Form 2210)

I. Signature Line

1. Important part of return
2. Must be signed by both taxpayer and tax preparer
3. Must include tax preparer's social security number (Form 1040)

II. Guided Tour: 40

A. Heading

1. Additional information needed includes phone number, county
2. Form 70R needs ages of taxpayers

B. Oregon Changes to Income

   1. Interest received from All Savers Certificates
   2. Changes in depreciation for Oregon
   3. Other Oregon changes to federal income

C. Additions

   1. Municipal bond interest (from states other than Oregon)
   2. Other
      a. Federal income tax refunds
      b. Lump sum distributions
      c. Other

D. Subtractions

   1. Federal tax (limitation)
   2. Review other subtractions briefly

E. Deductions and Exemptions

   1. Federal itemized or standard deduction
   2. Exemptions

F. Compute Tax

G. Credits

H. Tax Payments

   1. Withholding
   2. Advance payments
   3. Non-game wildlife and Arts Development Funds donation checkoffs

I. Refund or Balance Due

J. Signature Line

   1. Must be signed by preparer and taxpayer
   2. Must include preparer's license number

A. Filing Status

1. Single
2. Married individuals
    a. Joint returns
    b. Separate returns
    c. Exception: Married person who is able to file as a single person.
        1.) Known as abandoned spouse rule (living apart rule)
        2.) You need to stress the dependency requirement of this strange filing status.
    d. Nonresident alien spouse
    e. Joint returns after separate returns
3. Qualified widow(er)
4. Head of household

B. Filing Requirements (for Federal or Oregon returns).

Outline below (on overhead or blackboard). Teach ZBA (Zero Bracket Amount) to help determine filing requirements. Exemptions for blindness and dependents are not considered for filing requirements. See Pub. 17, page 2 for additional special filing requirements. Also see Pub. 17, page 3 for Flow Chart on "Who Must File". At this time, stress that filing requirement is based on Gross income, with one exception.

1. Federal Filing Requirements:

a. *Single ZBA = $2,300.00

One taxpayer = 1,000.00

Filing Requirement = 3,300.00

65 or over = 1,000.00

Filing Requirement = $4,300.00

*Also applies to head of household

b. Married Filing Joint ZBA = $3,400.00

Two taxpayers = 2,000.00

Filing Requirement = 5,400.00

One 65 or over = 1,000.00

Filing Requirement = 6,400.00

Both 65 or over = 1,000.00
Filing requirement = $7,400.00

c. Qualifying Widow(er) ZBA = $3,400.00

One Taxpayer = 1,000.00

Filing Requirement = 4,400.00

65 or over = 1,000.00

Filing Requirement = $5,400.00

d. Married filing separately = $1,000.00

e. Dependent with unearned income (no automatic ZBA) = $1,000.00 (of unearned income)

f. Self-employed individual = $ 400.00 (or more net income)

2. Oregon Filing Requirements: (Oregon 40 Pamphlet, page 3)

Add the minimum standard deduction of $1,050 to $1,000 for each taxpayer and $1,000 for each taxpayer 65 or over. Such as:

a. *Single = $1,050.00

One taxpayer = 1,000.00

Filing Requirement = 2,050.00

65 or over = 1,000.00

Filing Requirement = $3,050.00

*Also applies to head of household

b. Married Filing Joint = $1,050.00

Two taxpayers = 2,000.00

Filing Requirement = 3,050.00

One 65 or over = 1,000.00

Filing Requirement = 4,050.00

Both 65 or over = 1,000.00

Filing Requirement = $5,050.00

c. Dependent with unearned income = $2,050.00

d. Married, filing separately = $1,000.00

e. Self-employed, net earning = $ 400.00

C. Filing Dates - Publication 17, pgs 9-10
Oregon 40 Pamphlet pgs 4-7

1. When to file
2. When to pay
3. What form to file
4. Extensions, penalties and interest (Session 17)
5. Where to file
6. Amended returns (Session 17) if you made an error in original return
7. Deceased taxpayers (Form 1310 Federal)
(Form 243 - Oregon)
8. Dependent child's income; parent's responsibility, never included with parent's income
9. Oregon:Return must be filed within 2 years of due date in order to get withholding refund.

III. TEACHING HINTS:

A. Vocabularly List (Student Workbook)

B. Interview Questions (Student Workbook)

C. Sample Return

1. Make use of the Sample Return, Publication 17, Chapter 37. Have the students follow this return throughout the course as the material progresses. The filled in forms will allow the proper example to be student.

2. USE OF FORMS. MAKE the students fill in forms over and over again. It is through the repetition of filing status situations, dependent problems, gross income input, even much later in the course, that the student will learn the basic material. It has been noted many times that in the testing situation and later in the marketplace, students have not had enough experience with the forms to be used.

Practice is important to this course. It cannot be taught merely as theory.

QUIZ: Session 1; Filing Status, Filing Requirements and Filing Dates

1. To file as head of household:

   a. you must have a dependent
   b. you must be considered single on the last day of your tax year
   c. your parents can qualify you even though they earn more than $1,000 each.
   d. your child can live with his grandparents

2. Filing status is determined for a calendar year taxpayer on what day?

   a. January 1
   b. April 15
   c. July 1
   d. December 31

3. For the year her deceased husband died, a widow's filing status usually will be:

   a. single
   b. married filing jointly
   c. qualifying widow
   d. married filing separate

4. To file as qualifying widow(er) you must:
   a. be 65 on the last day of your tax year
   b. file for a refund claim on form 1310
   c. provide a home for the entire year for your dependent child
   d. file a joint return with your deceased husband in the year of the death

5. A fiscal year personal income tax return is due:

   a. the 15th day of the third month following your tax year
   b. the 15th day of the second month following your tax year
   c. the 15th day of the sixth month following your tax year
   d. the 15th day of the fourth month following your tax year
   e. none of the above.

6. You are required to file a tax return if:

   a. you earn $2,000
   b. you have unearned income of $995
   c. you have self-employment income of $301
   d. you are married filing separately and earned $1,900
   e. none of the above

7. A minor's income:

a. must be reported on his own return
b. may be added in his parents return
c. may be ignored as he is under age
d. need not be reported if it is put in a trust fund

8. You are allowed to round off to whole dollars:

a. only the totals on each page
b. everything except the tax computation
c. all figures on the return

9. How many years may a taxpayer use the filing status "qualifying widow(er)"

a. one
b. two
c. three
d. four
e. five

10. If you are an individual who may be claimed as the dependent of another taxpayer and you have only unearned income, you must file a federal return when your unearned income reaches:

a. $2,950.00
b. $2,050.00
c. $ 750.00
d. $1,000.00

11. Same facts as #10. Taxpayer must file an Oregon return when the unearned income reaches:

a. $1,800.00
b. $2,050.00
c. $1,000.00
d. $ 750.00

12. Examples of unearned income are:

a. wages and other compensation
b. tips and gratuities
c. dividends and interest
d. none of the above

13. A timely filed 1979 tax return can be amended from separate to joint:

a. at anytime
b. before April 15, 1983
c. before April 16, 1980
d. never

14. Marital status is determined on:

a. the 15th day of the 4th month
b. the last day of the tax year
c. the first day of the tax year
d. the due date of the return

15. Under which of the following circumstances would you be eligible for head of household status? You are unmarried at the end of the tax year and contributed over half the cost of maintaining the household for: (There may be more than one answer.)

a. your parent, your dependent by a multiple support agreement
b. your parent, not your dependent, living in your house with you
c. your parent, your dependent, living in your home with you the entire year
d. your unmarried child, not your dependent, who lives in your home the entire year.
e. your child, your dependent, who lives with you the entire year
f. your child, your dependent, who does not live with you, but you maintain his home
g. your nephew who lived with you six months and is your dependent
h. your friend's child, your dependent, who lived with you all year

16. If I marry December 31, my choices of filing status are:
a. single
b. married, filing joint
c. head of household
d. married, filing separately
e. qualifying widow(er)

17. Who must file a joint return?

a. husband and wife living together
b. husband and wife living apart
c. single person
d. divorced person
e. no one
f. husband and wife, only one with income

18. Filing requirement for federal income tax return for a person who is filing as head of household who is 45 years old and has two dependent children is:

a. $2,950.00
b. $3,300.00
c. $4,450.00
d. $1,000.00

19. Filing requirement for an Oregon income tax return for a person with same facts as number 18:

a. $2,550.00
b. $3,300.00
c. $2,050.00
d. $1,000.00

20. Filing requirement for a federal income tax return for a couple filing a joint return, husband is 67 years old; wife is 62 years old and a dependent sister who is 80 years lives with them.

a. $7,400.00
b. $6,400.00
c. $6,200.00
d. $6,950.00

21. Filing requirement for an Oregon return; same facts as number 20.

a. $3,300.00
b. $4,050.00
c. $2,550.00
d. $4,800.00

22. Federal filing requirement for a married individual 66 years old filing a separate return:

a. $1,000.00
b. $ 750.00
c. $3,300.00
d. $2,050.00

23. Filing requirement for an Oregon return; same facts as number 22.

a. $1,500.00
b. $2,050.00
c. $ 750.00
d. $1,000.00
e. $2,550.00

24. Filing requirement for a self-employed individual is:

a. net income of $1,000.00
b. net income of $400.00 or more
c. gross income of $3,300.00
d. it depends on the number of personal exemptions

25. Taxpayers filing "Married Filing Separately" must:

a. itemize deductions
b. use the zero bracket amount
c. use the deduction system best for them
d. itemize deductions if other spouse itemizes

26. Which of the following are required to file federal income tax returns?

a. A single individual, age 66, whose gross income is derived solely from rents. Gross rents are $4,500.00 and net rental income is $1,320.00.
b. A college sophomore who earned $2,260.00 during the summer and is a dependent of his father.
c. A self-employed individual with net income of $637.00 from a business and no other income
d. A married couple (husband 68 years old, his wife 64 years of age) whose total gross income for the year (all from dividends) was $4,000.00

27. Which relative does not have to live in the same household of the taxpayer claiming head of household filing status?

a. aunt
b. son
c. granddaughter
d. father
e. brother

28. U.S. citizens outside the U.S. on April 15 must:

a. file Form 4868 (automatic 2 month extension)
b. file Form 2688 detailing information
c. need not file an extension but attach a statement to the return explaining situation and must file before June 15.

SIT. 1

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) OMB No. 1545-0085

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): BETTY M
Last name: STANFORD
Your social security number: 436 39 1045
Present home address (Number and street, including apartment number, or rural route): 1254 PETUNIA DRIVE
Spouse's social security no.:
City, town or post office, State and ZIP code: PORTLAND, OREGON 97222
Your occupation ▶ SECRETARY
Spouse's occupation ▶

Presidential Election Campaign ▶ Do you want $1 to go to this fund? . . . . ☐ Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? . . . ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see page 23 of Instructions

Filing Status Check Only One Box.
1 ☒ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 8 of Instructions.) If he or she is your unmarried child, enter child's name ▶

Exemptions 5a ☐ Yourself ☐ 65 or over ☐ Blind } Enter number of boxes checked ☐

SIT. 2

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) OMB No. 1545-0085

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): DAVID B. + ANNA J.
Last name: WILLIAMS
Your social security number: 456 72 8932
Present home address (Number and street, including apartment number, or rural route): 732 - 15th ST.
Spouse's social security no.: 375 82 6789
City, town or post office, State and ZIP code: LAGRANDE, Or. 97850
Your occupation ▶ RETIRED
Spouse's occupation ▶ R.N.

Presidential Election Campaign ▶ Do you want $1 to go to this fund? . . . . ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? . . . ☒ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see page 23 of Instructions

Filing Status Check Only One Box.
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 8 of Instructions.) If he or she is your unmarried child, enter child's name ▶

Exemptions 5a ☐ Yourself ☐ 65 or over ☐ Blind
☐ Blind } Enter number of boxes checked on 5a and b ▶ ☐

SIT. 3

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) OMB No. 1545-0085

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): DOROTHY L.
Last name: MCKAY
Your social security number: 535 37 6968
Present home address (Number and street, including apartment number, or rural route): 187 PARK DR
Spouse's social security no.:
City, town or post office, State and ZIP code: BEND Or 97701
Your occupation ▶ Social Worker
Spouse's occupation ▶

Presidential Election Campaign ▶ Do you want $1 to go to this fund? . . . . ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? . . . ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see page 23 of Instructions

Filing Status Check Only One Box.
1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☒ Head of household (with qualifying person). (See page 8 of Instructions.) If he or she is your unmarried child, enter child's name ▶ SUSAN

Exemptions 5a ☐ Yourself ☐ 65 or over ☐ Blind } Enter number of boxes checked ☐

Form 1040A Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) OMB No. 1545-0085

S.Y. 4

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): STEVEN L.
Last name: SIMS
Your social security number: 542 73 8943
Present home address (Number and street, including apartment number, or rural route): P. O. BOX 719
Spouse's social security no.: 543 64 7892
City, town or post office, State and ZIP code: COOS BAY, OR 97420
Your occupation ▶ FOREMAN
Spouse's occupation ▶

Presidential Election Campaign ▶ Do you want $1 to go to this fund? . . . . ☐ Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? . . . ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see page 23 of Instructions

Filing Status Check Only One Box.
1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☒ Married filing separate return. Enter spouse's social security no. above and full name here ▶ GLORIA SIMS
4 ☐ Head of household (with qualifying person). (See page 8 of Instructions.) If he or she is your unmarried child, enter child's name ▶

Enter number of

Form 1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0)

S.Y. 5

For the year January 1—December 31, 1981, or other tax year beginning , 1981, ending , 19 OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): SARAH F.
Last name: JOHNSON
Your social security number: 358 68 8923
Present home address (Number and street, including apartment number, or rural route): 15794 AVENUE C
Spouse's social security no.:
City, town or post office, State and ZIP code: EUGENE OR 97410
Your occupation ▶ INV. COUNSELOR
Spouse's occupation ▶

Presidential Election Campaign ▶ Do you want $1 to go to this fund? . . . . ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? . . . ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status Check only one box.
1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☒ Qualifying widow(er) with dependent child (Year spouse died ▶ 1980). (See page 6 of Instructions.)

Enter number of

Form 1040A Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) OMB No. 1545-0085

S.Y. 6

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): JAMES E. + JANICE B.
Last name: SMITH
Your social security number: 273 45 3467
Present home address (Number and street, including apartment number, or rural route): 1016 10th ST.
Spouse's social security no.: 254 52 6437
City, town or post office, State and ZIP code: MEDFORD, OR 97501
Your occupation ▶ CARPENTER
Spouse's occupation ▶ HOUSEWIFE

Presidential Election Campaign ▶ Do you want $1 to go to this fund? . . . . ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? . . . ☒ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see page 23 of Instructions

Filing Status Check Only One Box.
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 8 of Instructions.) If he or she is your unmarried child, enter child's name ▶

Exemptions 5a ☐ Yourself ☐ 65 or over ☐ Blind } Enter number of boxes checked

KEY TO EXERCISES - SESSION 1

	Federal	Oregon		Federal	Oregon
1.	no	yes	9.	no	yes
2.	yes	yes	10.	no	no
3.	no	yes	11.	yes	yes
4.	yes	no	12.	no	no
5.	yes	yes			
	yes	yes			
	no	no	13.	no	no
6.	yes	yes	14.	yes	no
7.	no	yes	15.	yes	no
8.	no	no			

FILL IN:

1. Three
2. two
3. single
4. head of household
5. no one
6. joint and married filing separately
7. yes
8. single
9. dividends and interest, trust income
10. single, married joint, married filing separately, head of household, qualifying widow(er)
11. a. April 15
 b. March 1
 c. July 15
12. single
13. last day of the tax year
14. yes
15. married separate
16. interest, property tax, rent, utilities, food

MULTIPLE CHOICE:

1. C
2. C
3. E
4. E
5. B
6. B,D,F
7. D
8. A
9. D
10. C
11. B (They must report their world-wide income) or C
12. A
13. A
14. A
15. A
16. D
17. C
18. D
19. C
20. A,D,G,H

KEY TO QUIZ

1. B
2. D
3. B
4. C
5. D
6. D
7. A
8. C
9. B
10. D
11. B
12. C
13. B
14. B
15. C,D,E
16. B,D
17. E
18. B
19. C
20. B
21. B
22. A
23. D
24. B
25. D
26. A,C
27. D
28. C

SESSION II
EXEMPTIONS AND DEPENDENTS

Reading Assignment:	Publication 17, Part 1, Chapter 3 1040 Instruction Pamphlet, pgs 3 thru 7
Forms Required for Class Handouts:	3-1040's for situations 3 dependency support statements or federal form 2038 for each student Form 2120 - Multiple Support Declaration Reproduction of Form 2038 follows teaching hints

I. Review

A. Review quiz taken in previous session (or give quiz at beginning of Session II and review).

HINT: Suggest to students that these be retained to review for the mid-term and final exams.

B. Review Session I assignment not covered in last session.

C. Answer all questions students have at this time before going into new material.

II. Introduction of New Material

III. Teaching Hints

A. Vocabulary (Student Workbook)

B. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework (Student Workbook)

V. Reading assignment and homework for following session

VI. Resources for teachers

A. Transparencies: 1040 pages 1 and 2

B. Dependency support statement or federal form 2038

C. IRS Publications 501 and 504

D. Key to Problems and Quiz

II. INTRODUCTION TO NEW MATERIAL

A. Personal Exemptions

1. Regular exemption
   Each taxpayer is entitled to one regular exemption

2. Age exemption - 65 or over

3. Blind exemption
   Blind definition

4. Exemption for spouse
   a. Stress how a spouse claims exemptions when husband or wife dies during the year.
   b. Explain when a taxpayer, who is filing separately, may claim his or her spouse.

5. Severely Disabled (Oregon Only) (Pamphlet pg 19).

B. Dependency exemptions

1. Birth or death

2. Five tests for dependency exemption must be met:

   a. Member of the household/relationship test
   b. Citizenship or residency test
   c. Gross income test
      Remind students that tax-exempt income is not included in making the gross income test but it is used in making the support test.
   d. Support test.
      1) Discuss items included and excluded from total support
      2) Discuss Multiple Support declarations
      3) Divorced Parents rules

111. TEACHING HINTS

A. You may expect more students this session so be prepared with some additional books and handouts. have students memorize the 5 tests of dependency--VERY IMPORTANT.

B. Examples to be used in teaching the support test (keys at end of chapter).

1. Jane N. Morris of 719 Pine Street, Brookings, OR. 97415 has custody of her two children, Jean age 7 and Jim age 9. They lived with her all year. She received $1,200 child support for each of the two children (total $2,400) from her ex-husband, John N. Morris, who lives at 892 S.E. "B" Street, Gold Beach, OR. 97444. The divorce decree did not provide that he could claim the exemptions.

   The fair rental value of Mrs. Morris' home is $250 per month and she averaged $150 for food and $75 for utilities and phone each month. She made the following other expenditures in support of the children:

	Jean	Jim
Clothing	$225	$280
Personal grooming	80	65
Medical and dental	95	160
Education	50	60
Transportation	55	75
Contributions	50	35
Travel and recreation	100	110

2. Paul N. Garrison lived with his 56 year-old mother, Minerva N. Garrison, in her home, throughout the year. She had $500 of interest income from her time deposit which matures September 21, 1981. Her interest from her regular savings account was $50 (not withdrawn). Mrs. Garrison paid the property taxes on the home from her regular savings. The fair rental value of her home is $260 per month. Mr. Garrison (Paul) figures that he spent $120 a month on food for the two of them and also paid an average of $98 a month for utilities and telephone. In addition, he paid the following amounts in support of his mother: Clothing $260; Personal grooming $120; Medical $450; Contributions $60; Travel & recreation $200.

EXAMPLE 1

Form 2038 (Rev. Nov. 1976)	Department of the Treasury—Internal Revenue Service **QUESTIONNAIRE—EXEMPTION CLAIMED FOR DEPENDENT**	In reply refer to
Name of taxpayer SANE N. MORRIS	Name of dependent as shown on the return SEAN N. & SOHU N.	Taxable year ended

The information requested on this questionnaire is needed to support the exemption for a dependent claimed on your Federal income tax return. Please complete this form by giving information about the dependent named above. The attached information guide contains tests for claiming dependents and other helpful instructions.

PART I

1. Full name of dependent

2. Was dependent a citizen, resident, or national of the United States, or a resident of Canada, Mexico, the Panama Canal Zone, or the Republic of Panama during the year? ☐ Yes ☐ No

3. Relationship of dependent to you

4. Dependent's age at end of taxable year

5. Number of months dependent lived with you during year — *If the dependent lived with you less than 12 months, please complete item 6. below.*

6. Names and addresses of others with whom dependent lived *(If dependent entered or left the* | Relationship to | Number

PART IV — Include in this part only the income and expenses for the part of the year the dependent lived with you.

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? ☐ Yes ☐ No
(If Yes, please complete items a, b, c, and d, below.)

	Gross Amount	Source
a. Income	$	
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support	$
c. Amount of the dependent's income used for other purposes	$
d. Amount of dependent's income saved	$

Expenses for entire household *(Where dependent lived)*	MONTHLY	Expenses for dependent only —	SEAN	SIM
16. Lodging *(Complete items a or b, and item c if applicable)* a. Rent paid	$ 250	24. Dependent's portion of household expenses *(item 23)* 158 x 12 =	$ 1896	1896
b. If not rented, show fair rental value of home *(if dependent owns home, include this amount in item 31)*	$	25. Clothing	$ 225	280
c. If you completed item b, show below the name and address of the owner of the home		26. Education	$ 50	60
Homeowner's name and address		27. Medical-Dental	$ 95	160
		28. Travel-Recreation	$ 100	110
		29. Other *(Specify)*		
		Personal Grooming	80	65
		Contributions	50	35
		Transportation	55	75
17. Food	$ 150			
18. Utilities *(heat, light, water, etc.)*	$ 75			
19. Repairs *(not included in item 16a or item 16b, above)*	$		$	
20. Other *(Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)*	$	30. Total cost of dependent's support for the year *(Add items 24 through 29.)*	$ 2551	2681
21. Total household expenses *(Add items 16 through 20.)*	$ 475	31. Amount dependent contributed for own support *(item 15b, plus amount from item 16b if dependent owns home)*	$	
22. Number of persons *(including dependent)* living in household (Number)	3	32. Amount others contributed for dependent's support *(include amounts by State, local, and other welfare societies or agencies.)*	$ 1200	1200
23. Dependent's portion of household expenses *(item 21 divided by item 22)*	$ 158	33. Amount you contributed for dependent's support	$ 1351	1481

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

Certificate

I certify that during the taxable year 19____ ______________________
(Name of person claiming dependent)

[illegible] more than half the total cost of support for

T/Ses2/4

Example 2

Form 2038 (Rev. Sept. 1976)	Department of the Treasury—Internal Revenue Service **QUESTIONNAIRE—EXEMPTION CLAIMED FOR DEPENDENT**	In reply refer to
Name of taxpayer PAUL N. GARRISON	Name of dependent as shown on the return MINERVA N. GARRISON	Taxable year ended

The information requested on this questionnaire is needed to support the exemption for a dependent claimed on your Federal income tax return. Please complete this form by giving information about the dependent named above. The attached information guide contains tests for claiming dependents and other helpful instructions.

PART I

1. Full name of dependent	2. Was dependent a citizen, resident, or national of the United States, or a resident of Canada, Mexico, the Panama Canal Zone, or the Republic of Panama during the year? ☐ Yes ☐ No

3. Relationship of dependent to you	4. Dependent's age at end of taxable year	5. Number of months dependent lived with you during year →	*If the dependent lived with you less than 12 months, please complete item 6 below.*

PART IV — Include in this part only the income and expenses for the part of the year the dependent lived with you.

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? *(If Yes, please complete items a, b, c, and d, below.)* ☒ Yes ☐ No

	Gross Amount	Source
a. Income	$ 550	Interest
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support	$
c. Amount of the dependent's income used for other purposes	$
d. Amount of dependent's income saved	$ 550

Expenses for entire household *(Where dependent lived)* MONTHLY		Expenses for dependent only	
16. Lodging *(Complete items a or b, and item c if applicable)* a. Rent paid	$	24. Dependent's portion of household expenses *(item 23)* 239 x 12 =	$ 2868
b. If not rented, show fair rental value of home *(if dependent owns home, include this amount in item 31)*	$ 260	25. Clothing	$ 260
c. If you completed item b, show below the name and address of the owner of the home	▨	26. Education	$
	▨	27. Medical-Dental	$ 450
Homeowner's name and address	▨	28. Travel-Recreation	$ 200
	▨	29. Other *(Specify)*	
	▨	Personal Grooming	120
	▨	Contributions	60
	▨	Transportation	50
17. Food	$ 120		
18. Utilities *(heat, light, water, etc.)*	$ 98		
19. Repairs *(not included in item 16a or item 16b, above)*	$		$
20. Other *(Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)*	$	30. Total cost of dependent's support for the year *(Add items 24 through 29.)*	$ 4008
21. Total household expenses *(Add items 16 through 20.)*	$ 478	31. Amount dependent contributed for own support *(item 15b, plus amount from item 16b if dependent owns home)*	$ 1560
22. Number of persons *(including dependent)* living in household	(Number) 2	32. Amount others contributed for dependent's support *(include amounts by State, local, and other welfare societies or agencies.)*	$
23. Dependent's portion of household expenses *(item 21 divided by item 22)*	$ 239	33. Amount you contributed for dependent's support	$ 2448

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

Certificate

I certify that during the taxable year 19____ ______________________
(Name of person claiming dependent)

provided more than half the total cost of support for ______________________
(Name of dependent)

and I did not and will not claim the dependent's exemption on my Federal income tax return for the above year.

SITUATION KEYS

For Privacy Act Notice, see page 3 of Instructions | For the year January 1–December 31, 1978, or other tax year beginning , 1978, ending , 19

Use IRS label. Other-wise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial) Duane B. / Vivian H.	Last name Jones
	Present home address (Number and street, including apartment number, or rural route) 201 Damon Rd	
	City, town or post office, State and ZIP code Ashland, OR 97520	

Your social security number: 11n : 88 6906

Spouse's social security no.: 096 : 81 : 0118

Your occupation: Lawyer

Spouse's occupation: Secretary

Do you want $1 to go to the Presidential Election Campaign Fund? ☒ Yes ☐ No

If joint return, does your spouse want $1 to go to this fund? ☒ Yes ☐ No

Note: Checking Yes will not increase your tax or reduce your refund.

Filing Status

Check only one box.

1 ☐ Single

2 ☒ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶ ....

4 ☐ Unmarried head of household. Enter qualifying name ▶ .... See page 6 of instructions.

5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind

b ☒ Spouse ☐ 65 or over ☐ Blind

Enter number of boxes checked on 6a and b ▶ 2

c First names of your dependent children who lived with you ▶ Mary, Joe

Enter number of children listed ▶ 2

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?
John Smith	Father	12	no	Yes

Enter number of other dependents ▶ 1

e Total number of exemptions claimed ....

Add numbers entered in boxes above ▶ 5

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? ☒ Yes ☐ No
(If Yes, please complete items a, b, c, and d below.)

	Gross Amount	Source
a. Income	$ 2450	Social Security
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support	$ 1400
c. Amount of the dependent's income used for other purposes	$ 200
d. Amount of dependent's income saved	$ 850

Expenses for entire household (Where dependent lived)	MONTHLY	Expenses for dependent only	
16. Lodging (Complete items a or b, and item c if applicable) a. Rent paid	$ 320	24. Dependent's portion of household expenses (item 23) 152 x 12 =	$ 1824
b. If not rented, show fair rental value of home (If dependent owns home, include this amount in item 31)	$	25. Clothing	$ 300
c. If you completed item b, show below the name and address of the owner of the home		26. Education	$
		27. Medical-Dental	$ 600
Homeowner's name and address		28. Travel-Recreation	$ 225
		29. Other (Specify) Personal Grooming Transportation Contributions	50 199 201
17. Food	$ 320		
18. Utilities (heat, light, water, etc.)	$ 120		
19. Repairs (not included in item 16a or item 16b, above)	$		$
20. Other (Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)	$	30. Total cost of dependent's support for the year (Add items 24 through 29.)	$ 3399
21. Total household expenses (Add items 16 through 20.)	$ 760	31. Amount dependent contributed for own support (Item 15b, plus amount from item 16b if dependent owns home)	$ 1400
22. Number of persons (including dependent) living in household (Number) 5		32. Amount others contributed for dependent's support (Include amounts by State, local, and other welfare societies or agencies.)	$
23. Dependent's portion of household expenses (item 21 divided by item 22)	$ 152	33. Amount you contributed for dependent's support	$ 1999

Session II

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return | #2

For Privacy Act Notice, see page 3 of Instructions | For the year January 1–December 31, 1978, or other tax year beginning 1978, ending , 19

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): Bill S. | Karen L. — Last name: Dayne
Present home address (Number and street, including apartment number, or rural route): 1510 West Taylor Rd.
City, town or post office, State and ZIP code: Klamath Falls, OR 97601

Your social security number: 530 : 70 : 8950
Spouse's social security no.: 450 60 7005
Your occupation: Carpenter
Spouse's occupation: h/w

Do you want $1 to go to the Presidential Election Campaign Fund? ☐ Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? . . ☐ Yes ☒ No
Note: Checking Yes will not increase your tax or reduce your refund.

Filing Status
Check only one box.

1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶ ....
4 ☐ Unmarried head of household. Enter qualifying name ▶ .... See page 6 of Instructions.
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of Instructions.

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☒ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 2

c First names of your dependent children who lived with you ▶ Jenny
Kenneth
Enter number of children listed ▶ 2

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶ ☐

e Total number of exemptions claimed .... Add numbers entered in boxes above ▶ 4

b. Amount of the dependent's income used for his or her support $
c. Amount of the dependent's income used for other purposes $
d. Amount of dependent's income saved $

Expenses for entire household (Where dependent lived)	MONTHLY	Expenses for dependent only	JENNY	Ken
16. Lodging (Complete items a or b, and item c if applicable) a. Rent paid	$ 276	24. Dependent's portion of household expenses (item 23) 149 x 12 =	$ 1788	1788
b. If not rented, show fair rental value of home (if dependent owns home, include this amount in item 31)	$	25. Clothing	$ 350	275
c. If you completed item b, show below the name and address of the owner of the home	▨	26. Education	$	60
Homeowner's name and address	▨	27. Medical-Dental	$ 76	35
	▨	28. Travel-Recreation	$ 75	85
	▨	29. Other (Specify)		
	▨	CHILD CARE	210	145
	▨	CONTRIBUTIONS	16	15
	▨	SUMMER CAMP	100	75
17. Food	$ 235			
18. Utilities (heat, light, water, etc.)	$ 86			
19. Repairs (not included in item 16a or item 16b, above)	$		$	
20. Other (Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)	$	30. Total cost of dependent's support for the year (Add items 24 through 29.)	$ 2615	2478
21. Total household expenses (Add items 16 through 20.)	$ 597	31. Amount dependent contributed for own support (item 13b, plus amount from item 16b if dependent owns home)	$	
22. Number of persons (including dependent) living in household	(Number) 4	32. Amount others contributed for dependent's support (include amounts by State, local, and other welfare societies or agencies.)	$ 1200	1200
23. Dependent's portion of household expenses (item 21 divided by item 22)	$ 149	33. Amount you contributed for dependent's support	$ 1415	1278

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

For Privacy Act Notice, see page 3 of Instructions | For the year January 1–December 31, 1978, or other tax year beginning 5 1978, ending , 19

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial) Jerry A | Katherine E	Last name Jared
	Present home address (Number and street, including apartment number, or rural route) 112 Crater Dr.	
	City, town or post office, State and ZIP code Grants Pass, OR 97526	

Your social security number 500 42 3407

Spouse's social security no. 509 22 7844

Your occupation mechanic

Spouse's occupation tele. opr.

Do you want $1 to go to the Presidential Election Campaign Fund? ☒ Yes ☐ No

If joint return, does your spouse want $1 to go to the fund? ☐ Yes ☒ No

Note: Checking Yes will not increase your tax or reduce your refund.

Filing Status

Check only one box.

1 ☐ Single

2 ☒ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶

4 ☐ Unmarried head of household. Enter qualifying name ▶ See page 6 of Instructions.

5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of Instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind

b ☒ Spouse ☐ 65 or over ☐ Blind

Enter number of boxes checked on 6a and b ▶ 2

c First names of your dependent children who lived with you ▶ Paul, Teresa

Enter number of children listed ▶ 2

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?
Sarah Jared	sister	12	No	Yes

Enter number of other dependents ▶ 1

e Total number of exemptions claimed

Add numbers entered in boxes above ▶ 5

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? (If Yes, please complete items a, b, c, and d, below.) ☒ Yes ☐ No

	Gross Amount	Source
a. Income	$ 275	Wages +
	$ 1150	Unemployment
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support	$ 1425
c. Amount of the dependent's income used for other purposes	$
d. Amount of dependent's income saved	$

Expenses for entire household (Where dependent lived)	MONTHLY
16. Lodging (Complete items a or b, and item c if applicable) a. Rent paid	$
b. If not rented, show fair rental value of home (If dependent owns home, include this amount in item 31)	$ 265
c. If you completed item b, show below the name and address of the owner of the home	
Homeowner's name and address	
17. Food	$ 285
18. Utilities (heat, light, water, etc.)	$ 90
19. Repairs (not included in item 16a or item 16b, above)	$
20. Other (Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)	$
21. Total household expenses (Add items 16 through 20.)	$ 640
22. Number of persons (including dependent) living in household	(Number) 5
23. Dependent's portion of household expenses (item 21 divided by item 22)	$ 128

Expenses for dependent only	
24. Dependent's portion of household expenses (item 23) 128 x 12 =	$ 1536
25. Clothing	$ 368
26. Education	$
27. Medical-Dental	$ 264
28. Travel-Recreation	$ 375
29. Other (Specify) Personal Grooming	95
Transportation	210
Contributions	112
	$
30. Total cost of dependent's support for the year (Add items 24 through 29.)	$ 2960
31. Amount dependent contributed for own support (item 15b, plus amount from item 16b if dependent owns home)	$ 1425
32. Amount others contributed for dependent's support (include amounts by State, local, and other welfare societies or agencies.)	$
33. Amount you contributed for dependent's support	$ 1535

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member

T/Ses2/8

QUIZ: SESSION II: Exemptions and Dependents

1. An individual over 65 years of age who supports a blind 85-year-old mother may claim deductions for personal exemptions in the amount of:

    A. $2,000
    B. $3,000
    C. $4,000
    D. $5,000
    E. None of these

2. With the exception of the Multiple Support Agreement, the support test requires that you provide:

    A. a home for your dependent
    B. more than 50% of your dependent's support
    C. at least 50% of your dependent's support
    D. life insurance for your dependent

3. To be considered "blind", you must be:

    A. blind the entire year
    B. blind more than half of the year
    C. blind as of the last day of your tax year

4. You are considered 65 for tax purposes:

    A. the day before your birthday
    B. on your birthday
    C. the day following your 65th birthday

5. A dependency exemption may be claimed for a person who is not related to you if:

    A. the person lives in your home the entire year
    B. the person lives in your home more than half of the year
    C. you provide all that person's support regardless of where that person lives.

6. Which of the following individuals could not qualify as your dependent?

    A. your foster child
    B. your stepfather
    C. a housekeeper employed by you
    D. your ex-wife's mother

7. Which of the following items are taken into consideration when determining total support for purposes of the dependency test?

   A. cost of new bedroom furniture purchased
   B. life insurance premiums
   C. expenditures for recreation
   D. wedding expenses
   E. funeral expenses

8. Which of the following may have earned income over $1,000 and still be claimed as a dependent?

   A. your parents who live in their own home
   B. your child who is under 19 or a full-time student
   C. an unrelated individual who lives in your home for the entire year.
   D. your brother, who placed all of his income in savings

9. If a dependent dies or is born during the year the dependency deduction will be:

   A. allowed in full
   B. apportioned by the number of months the dependent was alive
   C. allowed if the dependent was alive for more than six months of the year
   D. none of the above

10. On your dependent child's return:

   A. no exemption is claimed
   B. the child is allowed to claim his own exepmtion
   C. the child is not allowed an extra exemption for blindness
   D. none of the above

11. Each exemption allows you to have:

   A. a $750 deduction
   B. a deduction of $1,500
   C. a deduction of $2,300
   D. a deduction of $1,000

12. The maximum number of personal exemptions an individual may claim is:

   A. 2
   B. 3
   C. 4
   D. 5
   E. 6
   F. no limit

13. Which of the following would qualify as your dependent?

A. Your sister, 18 years old, who has gross income of $1,000. All other dependency tests are met..
B. A neighbor's child. You contribute over 50% of the child's support. The child does not live with you
C. Your child who is under 19, or a full-time student over 19, even though the child contributed over 50% of his/her support.
D. Your grandchild who does not live with you, but you contribute over 50% of the child's support. All other tests can be met.

14. A full-time student must attend school:

A. five months during the year
B. seven months during the year
C. nine months during the year
D. three months during the year

15. Which of these people could be your dependent, even though they do not live with you, providing all other dependency tests are met?

A. your sister
B. your wife' uncle on your separate return
C. your cousin
D. your uncle
E. your niece
F. your step-grandmother
G. your mother-in-law
H. your spouse
I. your step-sister
J. your father
K. your live-in maid

16. Which of the following would qualify as dependents?

A. The taxpayer's son lives at home and is a full-time college student. During the summer, he worked long hours in the woods and earned $3,000, none of which he gave to his parents for board and room. The son "blew" all of his summer earnings on fun and games. The parents" support is $2,400.
B. Your client's father who had gross rent receipts of $2,400 but who only netted $500 of this after expenses.
C. John Smith's 21-year-old unmarried son who earned $780 during the Christmas season but was unemployed the remainder of the year. He was supported by John Smith, and was not a student during the year. His unemployment compensation was $410.
D. Mr. Jeff provided over 50% of the support of his brother who earned $500 in wages and received $800 unemployment insurance. The brother meets the remaining dependency tests.

17. Which of these statements is a true statement?

A. A divorced parent having custody who re-marries is allowed to consider support provided by the new spouse in determining who contributed over half the support of the children from the previous marriage.
B. To be considered a full-time student, an individual must attend school on a full-time basis during at least nine calendar months during the year.
C. Social security is included in determining the $1,000 gross income test.
D. You may claim a dependency exemption for an individual even though he was a citizen and resident of England for the entire year, provided the other tests were met.

18. Which of these statements is a false statement?

A. Filing status determines the tax table or tax rate schedule to be used while exemptions have to do with amounts subtracted from adjusted gross income.
B. A dependency exemption can be claimed for a foster child because he is a "child" for tax purposes.
C. The exemptions for federal and Oregon state are the same dollar amount.
D. If you are claiming your child who resides with your ex-spouse you must show him under "other dependents" on the 1040.
E. none of the above.

19. Social security received by a child for the account of his deceased father is:

A. considered as support paid by mother
B. considered as support paid by the child
C. is not considered as support.

KEY TO FILL IN: SESSION II

1. Self (regular); age (65 or over); blindness
2. 6 & 6
3. No
4. No, he attaches his own statement to this effect. (Refer to Publication 17, pg 14)
5. Central visual activity does not exceed 20/200 or your field of view is not more than 20 degrees.
6. Jan 1 of the following year
7. (a) 4; (b) 4; (c) 5; (d) 2; (e) 1; (f) 4; (g) 3
8. (a) yes; (b) HR; (c) yes; (d) GI; (e) HR; (f) C; (g) yes; (h) yes; (i) yes
9. When the child resides in your home for the entire year and all other tests are met
10. Fair rental value, food, clothing, personal grooming, auto insurance, medical and dental, recreation, transportation, utilities, education, child care, contributions, capital expenditures; etc.
11. Tom or Sally (total support = $5000. Betty does not pay more than 10%)

12. a. No Yes ---
b. Yes Yes ---
c. No No Yes
d. No Yes ---
e. No Yes ---
f. Yes No ---
g. No Yes ---
h. Yes No ---
i. Yes No ---
j. No Yes ---
k. No Yes ---
l. No No Yes
m. No No Yes

13. 1
14. Yes - No - No
15. (a) $1,000 (b) $2,000 (c) $2,000 (d) $3,000
16. 6
17. 3
18. MFJ - 5
19. (a) 2 (b) 3 (c) 1 (does not support father. Show on 2038 to class)
20. H/H & 2
21. No
22. Yes - Yes
23. No (fails the H/R Test)
24. (a) 1 (b) Yes
25. Single and 2

KEY TO QUIZ

1. A
2. B
3. C
4. A
5. A
6. C
7. A,C,D
8. B
9. A
10. B
11. D
12. E
13. D
14. A
15. A,D,E,G,I,J
16. C,D
17. A
18. E
19. B

SESSION III

GROSS INCOME

Reading Assignment:	Publication 17, Chapters 7,8,9,10,13 1040 Instruction Pamphlet - pgs 8,9,10 Schedule B, pg 20 40 Instruction Pamphlet - pgs 19-22 Reference: Publication 17 1/2 Note: Pensions & annuities, Rental Income covered in Session XI.

Forms Required for Class Handouts		
	Form 40S	(2)
	1040	(2)
	1040 A/B	(2)
	1040A	(2)

I. Review

- A. Quiz from previous session
- B. Assignment covering Session II if used as homework
- C. Questions from students

II. Introduction to new material

III. Teaching Hints

- A. Techniques
- B. Interview Questions (Student Workbook)
- C. Vocabulary (Student Workbook)

IV. Assigned problems for students to work

V. Reading assignment and homework for following session

VI. Short Quiz

VII. Resources for Teacher

- A. IRS Publications 595, 564, 525, 550, 905
- B. State of Oregon Publications: Full and Part-Year Resident pamphlets
- C. Checklists published by CCH, PH or RIA
- D. Transparencies 1040, 40, Schedule B
- E. Keys to problems and quiz

II. INTRODUCTION OF NEW MATERIAL

Gross income is the starting point in preparing a tax return. It is the amount from which you subtract your deductions to arrive at the amount on which your tax is figured.

In determining a person's tax liability, you must start by identifying those items of a person's income which are subject to tax and those which are not. Unless it is specifically exempted, an exclusion from gross income, the result necessarily follows that it is taxable income.

Income is the gain received by a person for labor or services, or from investment in capital. Gross Income is "all income from whatever source derived," except that which is expressly exempt by law.

Although the most common form of income is money, for tax purposes the definition includes goods and services as well. Income in forms other than cash must be reported at the fair market value of the goods or services received. Income may be in the form of property, services, or cash, but does not include recovery of capital, or an increase in the value of property.

Session I covered filing requirements. It should be noted that one measure of the filing requirements is the amount of a person's gross income.

Remember that the timing of income, theory of constructive receipt, cash and accrual methods of accounting, and prepaid income are important in determining a person's gross income.

A. Gross income means all income from whatever source derived, including (but not limited to) the following items: (Remember some income is specifically exempt.)

1. Compensation for services
    a. May be in cash, property or services, May include meals and lodging, bonuses and reimbursed expenses.
    b. May include property transferred at less than fair market value.
    c. May be received indirectly (e.g., payment of employee debt)
    d. Prizes and awards
    e. Fringe benefits
    f. Rewards and bonuses
    g. Certain educational expenses paid by employer.
    h. Bargain purchases
    i. Contributions to pension and annuity plans paid by employer
    j. Commissions on sales

2. Tips

3. Settlement of Civil Rights Suits

4. Work-training programs

5. Interest income

    Point out that like all income, all interest is taxable except for that which is specifically excluded by law. Interest is "rent" for use of money.

a. Interest from bank accounts
b. Dividends on certain accounts

Point out the types of financial institutions from which dividends are taxable as interest income. Also point out that gifts for opening new accounts are reported as interest.

c. Interest on U.S. obligations

Point out to the students that they must report as interest the total increase of value of Series E or Series EE bonds from the date they buy them to the date they redeem them.

d. Interest on tax refund
e. Interest on life insurance policies

Emphasize that the student must include in income the interest portion of benefits from a life insurance policy received in installments. But, if the student is married to the insured at the time of the insured's death, he or she may exclude from income up to $1,000 of the interest received with the payments.

f. Interest on deposit with stockbroker
g. Interest excluded from income.

6. Dividends

Emphasize with students the difference between "gain derived" from capital, and "recovery of capital."

Cover the exclusion rule for ordinary dividends.

a. Ordinary dividends
b. Return of capital
c. Capital gain distributions
d. Dividend exclusion

Point out that the reason for the dividend exclusion is to relieve corporations of their double tax burden. Point out that in 1981 the exclusion amount for both interest and dividend income will be increased.

1) Qualifying dividends
2) Nonqualifying dividends

7. Other Taxable Items

   a. Miscellaneous fees
   b. Property or services
   c. Alimony payments

   Point out to students that alimony will be discussed further in Chapter 16.

   d. Gambling winnings
   e. Prizes and awards
   f. Cancelled debts
   g. Amounts recovered

   Emphasize that amounts recovered are included as income to the extent that they decreased the tax in the year they were deducted.

   (State tax and property tax refunds)

8. Gross income derived from business
Gross income is receipts, less cost of goods sold (cost of goods sold is not a deduction but a reduction of net sales to determine gross income; i.e. gross profit)

9. Sales or exchanges of property

10. Rents and royalties (Session XI)
Gross rents and gross royalties are gross income.

11. Annuities and pensions (Session XI)

*12. Income from life insurance and endowment contracts

*13. Income from discharge of indebtedness

*14. Distributive share of partnership income (gross income, not net)

*15. Income of decedent

*Cover briefly.

*16. Income from interest in an estate or trust

17. Illegal gains
    a. Taxable as legal income; includes embezzled funds
    b. Wagering gains must be included. Wagering losses incurred the same year are deducted as itemized deductions (to the extent of income only)

18. Damages (may be taxable)

19. Unemployment compensation
An amount is included in income if the taxpayer's "base amount" is exceeded by the sum of: (1) the unemployment benefits, (2) excludable disability benefits, and (3) other adjusted gross income. The "base amount" is:

Married filing a joint return	$25,000
Married filing separate	-0-
All other taxpayers (includes taxpayers living apart)	$20,000

*Cover briefly

B. Nontaxable items

1. Certain Employee Benefits

Explain to students that although all pay is taxable, Congress has excluded certain employee benefits from income.

a. The value of meals and lodging

Explain the conditions under which the value of meals and lodging are not included in income.

b. Hospitalization premiums
c. Group term life insurance
Emphasize that premiums paid by employers are not taxable to employees if the coverage is $50,000 or less.
d. Group legal services plan
e. "Vanpooling" provided by employer
Point out the conditions under which the value of vanpooling is not included in income. This exclusion is in effect for tax years beginning after 1978 and before 1986.

f. Educational assistance programs

Point out that educational assistance

programs under a qualified written plan are not included in income for tax years beginning after 1978 and before 1984.

g. Certain military pay and veterans benefits

Cover each of the types of military pay and veteran's benefits that are excluded from income.

CCH Explanation . . . .011 Combat pay received by servicemen--Code Sec. 112 provides for the exemption from taxation of all compensation received for active service as a commissioned warrant officer, warrant officer, or enlisted member, and up to $500 of compensation received as a commissioned officer in the Armed Forces of the United States, for any month during any part of which such member served in a combat zone. If enlisted members and warrant officers serve as temporary commissioned officers in a combat zone, any combat pay attributable to service as a commissioned officer is excludable only to the extent of $500 per month.

h. Amounts received by certain volunteers
   1) Peace Corps

      Portions of travel and living allowances are exempt from tax.

   2) Other volunteer programs
   3) Members of the clergy

      Point out that although the rental value of a home and related allowances may be excluded from income, they must be included as earnings from self-employment for social security self-employment tax purposes.

2. Gifts and Inheritances

3. Life Insurance Benefits

Point out difference in excludable amounts between insurance benefits received in a lump sum and those received in installments.

In addition, point out that interest paid on deposited life insurance proceeds is taxable as income.

4. Social Security, Railroad Retirement and Welfare Benefits

5. Other Sickness and Injury Benefits

6. Scholarship and Fellowship Grants

   Define each and cover limitations. Discuss the rules that apply when the taxpayer is and is not a candidate for a degree.

7. Other Tax-Exempt Items

   a. Interest from state obligations
   b. Payments to adoptive parents
   c. Transporting school children
   d. Campaign contributions
   e. Certain living expenses paid by insurance
   f. Cash rebate on purchase of a new car

C. Discuss:

1. "Constructive receipt"

2. Cash and accrual methods of accounting

3. Prepaid income

III. TEACHING HINTS

A. Techniques

1. Lecture: buzz session

2. Brief commentaries

3. Practical case histories
   Use own experiences (keep simple, short and to the point).

4. Sample Return, Publication 17, Chapter 37

QUIZ: Session III, Gross Income

1. Which of these are not taxable on your federal return?

   A. Interest received on a tax refund
   B. U.S. savings bond interest
   C. Interest received on arbitrage bonds
   D. Municipal bond interest

2. Which of these are taxable on your Oregon return, but not taxable on your federal return?

   A. Port of Seattle bond interest
   B. Series E bond interest
   C. City of Medford bond interest
   D. AT & T debenture bond interest

3. Interest is taxable to a cash basis taxpayer:

   A. As it accrues
   B. When it is credited to his account
   C. When the entry is put in his passbook
   D. When he withdraws it

4. Interest received from an escrow account is:

   A. Fully taxable
   B. Partially taxable
   C. Nontaxable
   D. Taxable only on your federal return

5. Match the following:

   A. Qualifying dividends ____
   B. Nonqualifying dividends ____
   C. Capital gain dividends ____
   D. Return of capital dividends____
   E. Tax-free dividends ____
   F. Ordinary dividends ____

   1. Dividends out of earnings and profits of a corporation
   2. Eligible for exclusion
   3. Fully taxable
   4. Dividends not out of profits of a corporation. Generally they are not taxable
   5. 40% taxable
   6. Generally a stock dividend

6. Interest income of less than $10 may not be reported to IRS or the taxpayer by the bank on a 1099 INT, so:

   A. It is not taxable
   B. It is reportable only if all interest received amounts to over $10.
   C. It must be included as income on a tax return
   D. Is taxable only on an individual's Oregon tax return

7. Dividends qualifying for the exclusion might come from which of the following:

   A. American Telephone and Telegraph
   B. Canadian Lloyds of London
   C. Sears Roebuck Co.
   D. American Real Estate Investment Trust
   E. MDSC-MED (a sub-chapter S Corporation)

8. Which of the following items must you include in gross income?

   A. Refund of a state income tax deducted in an earlier year.
   B. A bonus for outstanding work.
   C. A cash rebate from a car manufacturer for purchasing one of their cars.
   D. Money won in a state lottery.
   E. Veteran's benefits.
   F. $1,000 in Series EE U.S. Savings Bonds given to you by a relative to help pay for your college education
   G. The interest earned on the bonds in (F) after you receive them.

9. Which of the following are taxable to federal or Oregon or both: Put a B on the line if taxable to both. Put an F on the line if it is taxable to federal only. Put an O on the line if taxable to Oregon only. Put an NT on the line if nontaxable.

   A. _____Interest on a passbook account at the bank
   B. _____Interest on a time certificate
   C. _____Municipal bond interest (City of Portland)
   D. _____Series E bond interest
   E. _____AT & T bond interest
   F. _____Arbitrage bond interest
   G. _____Interest on a personal loan
   H. _____Port of Los Angeles bond interest
   I. _____Series H bond interest
   J. _____Insurance policy interest on dividends

10. How much of the following distribution from a mutual fund would be taxable? The mutual fund is held jointly by a married couple on a joint return.

Gross Dividend	$450
Qualifying	150
Nonqualifying	50
Nontaxable	50
Capital gain	200

A. $450
B. 350
C. 250
D. 130
e. none of these

11. Reinvested dividends from your mutual fund account:

A. Are not reportable
B. Are taxed as though you had actually received them
C. Are taxed when you receive them

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** SITUATION 1
(5) OMB No. 1545-0085

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): SAMES L. + MARY M.
Last name: TIMMS
Your social security number: 542 | 13 | 3013
Present home address (Number and street, including apartment number, or rural route): 12 MONTY AVE
Spouse's social security no.: 543 | 31 | 0313
City, town or post office, State and ZIP code: MOUNT VERNON OR 97095
Your occupation ▶ TRAFIC MGR
Spouse's occupation ▶ OF. MGR.

Presidential Election Campaign ▶ Do you want $1 to go to this fund? ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☒ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see page 23 of Instructions

Filing Status Check Only One Box.
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 8 of Instructions.) If he or she is your unmarried child, enter child's name ▶

Exemptions Always check the box labeled Yourself. Check other boxes if they apply.
5a ☒ Yourself ☒ 65 or over ☐ Blind
b ☒ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 5a and b ▶ 3
c First names of your dependent children who lived with you ▶ DANIEL
Enter number of children listed on 5c ▶ 1

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
6 Total number of exemptions claimed .... Add numbers entered in boxes above ▶ 4

Please Attach Copy B of Forms W-2 Here

7 **Wages, salaries, tips, etc.** (Attach Forms W-2. See page 10 of Instructions)			7	22,700
8a **Interest income** .. (Complete page 2 if over $400 or you have any All-Savers interest)	8a			
b **Dividends** ..... (Complete page 2 if over $400)	8b			
c **Total** (add lines 8a and 8b)	8c			
d **Exclusion** (See page 11 of Instructions)	8d			
e **Subtract line 8d from line 8c** (but not less than zero)			8e	
9a **Unemployment compensation (insurance).** Total received from Form(s) 1099-UC				
b **Taxable amount, if any, from worksheet on page 12 of Instructions**			9b	
10 **Adjusted gross income** (add lines 7, 8e, and 9b). If under $10,000, see page 13 of Instructions on "Earned Income Credit"			10	22,700
11 **Multiply $1,000 by the total number of exemptions claimed on line 6**			11	4,000
12 **Taxable income** (subtract line 11 from line 10)			12	18,700
13a **Credit for contributions to candidates for public office.** (See page 13 of Instructions)	13a			

IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.

Attach Payment Here

b **Total Federal income tax withheld** (If line 7 is more than $29,700, see page 13 of Instructions)	13b	3400		
c **Earned income credit** (from page 14 of Instructions)	13c			
14 **Total** (add lines 13a, b, and c)			14	3400
15a **Tax on the amount on line 12.** (See page 15 of Instructions; then find your tax in the Tax Table on pages 17–22)	15a	2883		
b **Advance earned income credit (EIC)** (from Form W-2)	15b			
16 **Total** (add lines 15a and 15b)			16	2883
17 **If line 14 is larger than line 16, enter amount to be REFUNDED TO YOU** ▶			17	517 00
18 **If line 16 is larger than line 14, enter BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040A" on it. ▶			18	

Please Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
▶ Your signature Date ▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only
Preparer's signature ▶ Student Signature
Date
Check if self-employed ▶ ☐
Preparer's social security no.
Firm's name (or yours, if self-employed) and address ▶
E.I. No. ▶
ZIP code ▶

Form **1040A** (1981)

FULL-YEAR RESIDENTS ONLY
SHORT FORM

FORM **40S** **OREGON INDIVIDUAL INCOME TAX RETURN** **1981**

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name Timms	First name and initial James L.	Social Security number 542 | 13 | 3015
Spouse's last name if different and joint return	Spouse's first name and initial if joint return Mary M.	Spouse's Social Security number 543 | 31 | 0313
Mailing address 12 Monty Ave		Telephone number 221-8399
City Mount Vernon	State Or · ZIP Code 97095	County Grant

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No
If NO, give reason: ______

For office use only

Filing Status
Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ______ (Spouse's name)
4 ☐ Unmarried head of household ______ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X	X	☐	☐	2
Spouse	X	☐	☐	☐	1
Dependents (First names) 1 Daniel					1
Total exemptions claimed ●					4

Attach W-2 wage slips and payment here

1	Wages, salaries and other pay for work ● 1	22,700	
2	Interest 2a ______ plus dividends 2b ______ minus exclusion 2c ______ ● 2		
3	Unemployment compensation. Fill in amount from worksheet, page 8 ● 3		
4	Total. Add lines 1, 2 and 3 4		22,700
5	1981 federal tax. See instructions, page 9 ● 5	2883	
6	Your standard deduction from table, page 10 6	1500	
7	Multiply your total exemptions by $1,000 7	4000	
8	Add lines 5, 6 and 7 8		8383
9	Oregon taxable income. Line 4 minus line 8. If line 8 is more than line 4, fill in -0- 9		14317
10	Tax from tables, pages 15 to 18 10	1123	
11	Total credits from line H on back of this form ● 11		
12	Net income tax. Line 10 minus line 11. If line 11 is more than line 10, fill in -0- 12		1123
13	Oregon tax withheld from wages. Attach your W-2 wage slips ● 13		1150
14	Refund. If line 13 is more than line 12, you have a refund. Subtract line 12 from line 13 ● 14		27
	I wish to donate part of my tax refund to the following:		
15	Oregon Nongame Wildlife Fund. $1 ☐ $5 ☐ $10 ☐ Other $____ None ☒ ● 15		
16	Oregon Arts Development Fund. $1 ☐ $5 ☐ $10 ☐ Other $____ None ☒ ● 16		
17	Total donations. Add lines 15 and 16. A donation will reduce your refund 17		0
18	**NET REFUND.** Line 14 minus line 17. This is your net refund ● 18		27 00
19	**TAX-TO-PAY.** If line 12 is more than line 13, you have tax-to-pay. Subtract line 13 from line 12 ● 19		

Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE
______ Your signature ______ Date
______ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Student Signature
Signature of preparer other than taxpayer ______ License no.
______ Address

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310
Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

150-101-044 (9-81)

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0)

SITUATION 2

For the year January 1–December 31, 1981, or other tax year beginning . 1981, ending . 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): JOE R. + MARY A
Last name: THOMAS
Your social security number: 370 | 12 | 1212
Present home address (Number and street, including apartment number, or rural route): 70 N ST
Spouse's social security no.: 702 | 00 | 2002
City, town or post office, State and ZIP code: BEND, OR 97589
Your occupation ▶ SALES MGR
Spouse's occupation ▶ NURSE

Presidential Election Campaign
▶ Do you want $1 to go to this fund? ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☒ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filling Status

Check only one box.

1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☒ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 2
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
e Total number of exemptions claimed . . . Add numbers entered in boxes above ▶ 2

Income

Please attach Copy B of your Forms W-2 here.

If you do not have a W-2, see page 5 of Instructions.

Please attach check or money order here.

7	Wages, salaries, tips, etc.			7	27035
8a	Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	396		
b	Dividends (attach Schedule B if over $400)	8b	80		
c	Total. Add lines 8a and 8b	8c	476		
d	Exclusion (See page 9 of Instructions)	8d	400		
e	Subtract line 8d from line 8c (but not less than zero)			8e	76
9	Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	
10	Alimony received			10	
11	Business income or (loss) (attach Schedule C) ▶			11	
12	Capital gain or (loss) (attach Schedule D)			12	
13	40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	124
14	Supplemental gains or (losses) (attach Form 4797)			14	
15	Fully taxable pensions and annuities not reported on line 16			15	
16a	Other pensions and annuities. Total received	16a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18	Farm income or (loss) (attach Schedule F) ▶			18	
19a	Unemployment compensation (insurance). Total received	19a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20	Other income (state nature and source—see page 11 of Instructions) ▶			20	
21	Total income. Add amounts in column for lines 7 through 20 ▶			21	27235

Adjustments to Income

(See Instructions on page 11)

22	Moving expense (attach Form 3903 or 3903F)	22			
23	Employee business expenses (attach Form 2106)	23			
24	Payments to an IRA (enter code from page 11 ......)	24			
25	Payments to a Keogh (H.R. 10) retirement plan	25			
26	Interest penalty on early withdrawal of savings	26			
27	Alimony paid	27			
28	Disability income exclusion (attach Form 2440)	28			
29	Other adjustments—see page 12 ▶	29			
30	Total adjustments. Add lines 22 through 29 ▶			30	

Adjusted Gross Income

31	Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	27235

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O—343-087 68-0875140

Tax Computation

(See Instructions on page 12)

32a	Amount from line 31 *(adjusted gross income)*			32a	27235
32b	If you do not itemize deductions, enter zero . . . . If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 . . .			32b	0
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*				
32c	Subtract line 32b from line 32a			32c	27235
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e . .			33	2000
34	Taxable Income. Subtract line 33 from line 32c			34	25235
35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726			35	4646
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax			36	
37	**Total.** Add lines 35 and 36 . . . . ▶			37	4646

Credits

(See Instructions on page 13)

38	Credit for contributions to candidates for public office . . .	38			
39	Credit for the elderly *(attach Schedules R&RP)*	39			
40	Credit for child and dependent care expenses (attach Form 2441) .	40			
41	Investment credit *(attach Form 3468)*	41			
42	Foreign tax credit *(attach Form 1116)*	42			
43	Work incentive (WIN) credit *(attach Form 4874)*	43			
44	Jobs credit *(attach Form 5884)*	44			
45	Residential energy credit *(attach Form 5695)*	45			
46	**Total credits.** Add lines 38 through 45			46	
47	**Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) . ▶			47	4646

Other Taxes

(Including Advance EIC Payments)

48	Self-employment tax *(attach Schedule SE)*			48	
49a	Minimum tax. Attach Form 4625 and check here ▶ ☐			49a	
49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐			49b	
50	Tax from recomputing prior-year investment credit *(attach Form 4255)*			50	
51a	Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)* . .			51a	
51b	Uncollected employee FICA and RRTA tax on tips *(from Form W–2)*			51b	
52	Tax on an IRA *(attach Form 5329)*			52	
53	Advance earned income credit (EIC) payments received *(from Form W–2)*			53	
54	**Total tax.** Add lines 47 through 53 . . . . ▶			54	4646

06

Payments

Attach Forms W–2, W–2G, and W–2P to front.

55	Total Federal income tax withheld	55	5400		
56	1981 estimated tax payments and amount applied from 1980 return .	56			
57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57			
58	Amount paid with Form 4868	58			
59	Excess FICA and RRTA tax withheld (two or more employers)	59			
60	Credit for Federal tax on special fuels and oils *(attach Form 4136 or 4136–T)*	60			
61	Regulated Investment Company credit *(attach Form 2439)*	61			
62	**Total.** Add lines 55 through 61 . . . . ▶			62	5400

Refund or Balance Due

63	If line 62 is larger than line 54, enter amount OVERPAID . . . . . ▶			63	754
64	Amount of line 63 to be REFUNDED TO YOU . . . . ▶			64	754 00
65	Amount of line 63 to be applied to your 1982 estimated tax . . . ▶	65			
66	If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature Student Signature

Date

Check if self-employed ▶ ☐

Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶

E.I. No. ▶

ZIP code ▶

15

73

SITUATION 2

Schedules A&B (Form 1040) 1981

Schedule B—Interest and Dividend Income

OMB No. 1545-0074 Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side): JOE R + MARY A. THOMAS

Your social security number: 370 : 12 : 1212

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount	
1a Interest income (other than qualifying interest from All-Savers Certificates).	▨	▨
PIONEER SAVINGS	256	–
SERIES "E" BONDS	140	–
1b Total. Add above amounts	396	
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	▨	▨
1d Total		
1e Exclusion (See page 20 of Instructions)		
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d.*		
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	396	

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer		Amount	
3 HAMILTON FUND		290	–
INVESTORS FUND		100	
4 Total. Add above amounts		390	
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	310	▨	B
6 Nontaxable distributions (See Instructions for adjustment to basis)		▨	▨
7 Total (add lines 5 and 6)		310	
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b		80	

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

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Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (5) OMB No. 1545-0085

Situation 3

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) / Last name: John R. Jones
Your social security number: 123 45 6789
Present home address (Number and street, including apartment number, or rural route): 10 E. 29th St.
Spouse's social security no.:
City, town or post office, State and ZIP code: Portland, Or 97201
Your occupation ▶ Laborer
Spouse's occupation ▶

Presidential Election Campaign ▶ Do you want $1 to go to this fund? ☐ Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see page 23 of Instructions

Filing Status Check Only One Box.
1 ☒ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 8 of Instructions.) If he or she is your unmarried child, enter child's name ▶

Exemptions Always check the box labeled Yourself. Check other boxes if they apply.
5a ☒ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 5a and b ▶ 1
c First names of your dependent children who lived with you ▶
Enter number of children listed on 5c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
6 Total number of exemptions claimed . . . Add numbers entered in boxes above ▶ 1

Please Attach Copy B of Forms W-2 Here

7	Wages, salaries, tips, etc. (Attach Forms W-2. See page 10 of Instructions)		7	8800
8a	Interest income . . (Complete page 2 if over $400 or you have any All-Savers interest)	8a 230		
b	Dividends . . . . . (Complete page 2 if over $400)	8b 225		
c	Total (add lines 8a and 8b)	8c 455		
d	Exclusion (See page 11 of Instructions)	8d 200		
e	Subtract line 8d from line 8c (but not less than zero)		8e	255
9a	Unemployment compensation (insurance). Total received from Form(s) 1099–UC			
b	Taxable amount, if any, from worksheet on page 12 of Instructions		9b	
10	Adjusted gross income (add lines 7, 8e, and 9b). If under $10,000, see page 13 of Instructions on "Earned Income Credit"		10	9055
11	Multiply $1,000 by the total number of exemptions claimed on line 6		11	1000
12	Taxable income (subtract line 11 from line 10)		12	8055
13a	Credit for contributions to candidates for public office. (See page 13 of Instructions)	13a		
	IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.			
b	Total Federal income tax withheld (If line 7 is more than $29,700, see page 13 of Instructions)	13b 950		
c	Earned income credit (from page 14 of Instructions)	13c		
14	Total (add lines 13a, b, and c)		14	950
15a	Tax on the amount on line 12. (See page 15 of Instructions; then find your tax in the Tax Table on pages 17–22)	15a 979		
b	Advance earned income credit (EIC) (from Form W–2)	15b		
16	Total (add lines 15a and 15b)		16	979
17	If line 14 is larger than line 16, enter amount to be REFUNDED TO YOU ▶		17	
18	If line 16 is larger than line 14, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040A" on it. ▶		18	29 00

Attach Payment Here

Please Sign Here
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
▶ Your signature Date
▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only
Preparer's signature ▶ Student Signature
Date
Check if self-employed ▶ ☐
Preparer's social security no.
Firm's name (or yours, if self-employed) and address ▶
E.I. No. ▶
ZIP code ▶

17

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) SITUATION 4

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): JOHN R. + MARY A. | Last name: JONES | Your social security number: 123 45 6789

Present home address (Number and street, including apartment number, or rural route): 10 E. 29th ST. | Spouse's social security no.: 987 65 4321

City, town or post office, State and ZIP code: PORTLAND, OR. 97201 | Your occupation ▶ LABORER | Spouse's occupation ▶ HOUSEWIFE

Presidential Election Campaign
▶ Do you want $1 to go to this fund? ☐ Yes ☒ No
▶ If joint return, does your spouse want $1 to go to this fund? ☒ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status
Check only one box.
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.
6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☒ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 2
c First names of your dependent children who lived with you ▶ DAN, SUE
Enter number of children listed on 6c ▶ 2

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
e Total number of exemptions claimed ..... Add numbers entered in boxes above ▶ 4

Income
Please attach Copy B of your Forms W-2 here.
If you do not have a W-2, see page 5 of Instructions.
Please attach check or money order here.

7 Wages, salaries, tips, etc.			7	8800
8a Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	1430		
b Dividends (attach Schedule B if over $400)	8b	225		
c Total. Add lines 8a and 8b	8c	1655		
d Exclusion (See page 9 of Instructions)	8d	400		
e Subtract line 8d from line 8c (but not less than zero)			8e	1255
9 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	
10 Alimony received			10	
11 Business income or (loss) (attach Schedule C) ▶			11	
12 Capital gain or (loss) (attach Schedule D)			12	
13 40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14 Supplemental gains or (losses) (attach Form 4797)			14	
15 Fully taxable pensions and annuities not reported on line 16			15	
16a Other pensions and annuities. Total received	16a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18 Farm income or (loss) (attach Schedule F) ▶			18	
19a Unemployment compensation (insurance). Total received	19a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20 Other income (state nature and source—see page 11 of Instructions) ▶			20	
21 Total income. Add amounts in column for lines 7 through 20 ▶			21	10055

Adjustments to Income
(See Instructions on page 11)

22 Moving expense (attach Form 3903 or 3903F)	22			
23 Employee business expenses (attach Form 2106)	23			
24 Payments to an IRA (enter code from page 11 ....)	24			
25 Payments to a Keogh (H.R. 10) retirement plan	25			
26 Interest penalty on early withdrawal of savings	26			
27 Alimony paid	27			
28 Disability income exclusion (attach Form 2440)	28			
29 Other adjustments—see page 12 ▶	29			
30 Total adjustments. Add lines 22 through 29 ▶			30	

Adjusted Gross Income

31 Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	10055

18

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Tax Computation

(See Instructions on page 12)

Line	Description			Line	Amount	
32a	Amount from line 31 (*adjusted gross income*)			32a	10055	
32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41			32b	0	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*					
32c	Subtract line 32b from line 32a			32c	10055	
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e			33	4000	
34	Taxable Income. Subtract line 33 from line 32c			34	6055	
35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726			35	381	
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax			36		
37	**Total.** Add lines 35 and 36 ▶			37	381	

Credits

(See Instructions on page 13)

Line	Description	Line	Amount	Line	Amount	
38	Credit for contributions to candidates for public office	38				
39	Credit for the elderly *(attach Schedules R&RP)*	39				
40	Credit for child and dependent care expenses (attach Form 2441)	40				
41	Investment credit *(attach Form 3468)*	41				
42	Foreign tax credit *(attach Form 1116)*	42				
43	Work incentive (WIN) credit *(attach Form 4874)*	43				
44	Jobs credit *(attach Form 5884)*	44				
45	Residential energy credit *(attach Form 5695)*	45				
46	Total credits. Add lines 38 through 45			46		
47	**Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	381	

Other Taxes

(Including Advance EIC Payments)

Line	Description			Line	Amount	
48	Self-employment tax *(attach Schedule SE)*			48		
49a	Minimum tax. Attach Form 4625 and check here ▶ ☐			49a		
49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐			49b		
50	Tax from recomputing prior-year investment credit *(attach Form 4255)*			50		
51a	Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*			51a		
51b	Uncollected employee FICA and RRTA tax on tips *(from Form W–2)*			51b		
52	Tax on an IRA *(attach Form 5329)*			52		
53	Advance earned income credit (EIC) payments received *(from Form W–2)*			53		
54	**Total tax.** Add lines 47 through 53 ▶			54	381	

06

Payments

Attach Forms W–2, W–2G, and W–2P to front.

Line	Description	Line	Amount	Line	Amount	
55	Total Federal income tax withheld	55	950			
56	1981 estimated tax payments and amount applied from 1980 return	56				
57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57				
58	Amount paid with Form 4868	58				
59	Excess FICA and RRTA tax withheld (two or more employers)	59				
60	Credit for Federal tax on special fuels and oils *(attach Form 4136 or 4136–T)*	60				
61	Regulated Investment Company credit *(attach Form 2439)*	61				
62	**Total.** Add lines 55 through 61 ▶			62	950	

Refund or Balance Due

Line	Description	Line	Amount	Line	Amount	
63	If line 62 is larger than line 54, enter amount **OVERPAID** ▶			63	569	
64	Amount of line 63 to be **REFUNDED TO YOU** ▶			64	569	00
65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65				
66	If line 54 is larger than line 62, enter **BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature

Date

Check if self-employed ▶ ☐

Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶

E.I. No. ▶

ZIP code ▶

19

S.TUATION 4

Schedules A&B (Form 1040) 1981

Schedule B—Interest and Dividend Income

OMB No. 1545-0074

Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side): JOHN R. & MARY A. JONES

Your social security number: 123 45 6789

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	▨
U.S. NATL BANK	230
SUIT & VEST Co. 93-0114770	1200
1b Total. Add above amounts	1430
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	▨
1d Total	
1e Exclusion (See page 20 of Instructions)	
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d.*	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	1430

Part II Dividend income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount
3 CBS CORP.	180
CANADIAN INTL.	45
4 Total. Add above amounts	225
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	
6 Nontaxable distributions (See Instructions for adjustment to basis)	
7 Total (add lines 5 and 6)	
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	225

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

B

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		✓

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

20

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FULL-YEAR RESIDENTS ONLY
SHORT FORM

SITUATION 4

FORM
40S

OREGON INDIVIDUAL INCOME TAX RETURN

1981

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name SONES	First name and initial SOHN R	Social Security number 123 45 6789
Spouse's last name if different and joint return	Spouse's first name and initial if joint return MARY A.	Spouse's Social Security number 987 65 4321

Mailing address: 10 E. 29th ST
Telephone number: 287-9502
City: PORTLAND
State: OR
ZIP Code: 97201
County: MULTNOMAH

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No
If NO, give reason: ____

For office use only

Filing Status

Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing seperately ____ (Spouse's name)
4 ☐ Unmarried head of household ____ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse	X				1
Dependents (First names)	DAN	SUE			2
Total exemptions claimed •					4

Attach W-2 wage slips and payment here

1	Wages, salaries and other pay for work •	1	8800	
2	Interest 2a 1430 plus dividends 2b 225 minus exclusion 2c 400 •	2	1255	
3	Unemployment compensation. Fill in amount from worksheet, page 8 •	3		
4	Total. Add lines 1, 2 and 3	4		10055
5	1981 federal tax. See instructions, page 9 •	5	3-	
6	Your standard deduction from table, page 10	6	1310	
7	Multiply your total exemptions by $1,000	7	4000	
8	Add lines 5, 6 and 7	8		5691
9	Oregon taxable income. Line 4 minus line 8. If line 8 is more than line 4, fill in -0-	9		4364
10	Tax from tables, pages 15 to 18	10	236	
11	Total credits from line H on back of this form •	11		
12	Net income tax. Line 10 minus line 11. If line 11 is more than line 10, fill in -0-	12		236
13	Oregon tax withheld from wages. Attach your W-2 wage slips •	13		250
14	Refund. If line 13 is more than line 12, you have a refund. Subtract line 12 from line 13 •	14		14
	I wish to donate part of my tax refund to the following:			
15	Oregon Nongame Wildlife Fund. $1 ☒. $5 ☐. $10 ☐. Other $____ None ☐ •	15	1	
16	Oregon Arts Development Fund. $1 ☐. $5 ☐. $10 ☐. Other $____ None ☐ •	16		
17	Total donations. Add lines 15 and 16. A donation will reduce your refund	17		1
18	**NET REFUND.** Line 14 minus line 17. This is your net refund •	18		13
19	**TAX-TO-PAY.** If line 12 is more than line 13, you have tax-to-pay. Subtract line 13 from line 12 •	19		

Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ____ Date ____

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ____

Student Signature
Signature of preparer other than taxpayer ____ License no. ____

Address ____

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310
Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

150-101-044 (9-81)

21

KEY TO EXERCISES: Session III

		Federal	Oregon
1.	A.	T	T
	B.	F	F
	C.	T	T
	D.	F	F
	E.	T	T
	F.	T	T
	G.	T	T
	H.	T	T

2. $17,052
3. $10,200
4. Yes
5. $16,000
6. No
7. True
8. $1,800 ($600 for food not excludable)
9. $5,200 (family separation and tuition are excludable)
10. None
11. No
12. $700
13. No
14. No

15.		Federal	Oregon	
	A.	Excluded	Excluded	
	B.	Excluded	Excluded	
	C.	Excluded	Excluded	(to the amount actually spent)
	D.	Included	Included	(then subtracted within limitations)
	E.	Excluded	Excluded	
	F.	Excluded	Excluded	
	G.	Included	Included	
	H.	Included	Excluded	(actually in gross income - then subtracted)
	I.	Excluded	Included	

16. On or before the 10th day of the following month
17. He doesn't have to report the tips until he files his Form 1040 for the year because the amounts are less than $20.
18. False
19. A. $100 to Watson, none to Parkview
    B. $110 on tax return
20. B, D, and F are tax exempt
21. A. $900
    B. $ 7.50 ($900 divided by 120 months)
    C. $ 90
22. A. Jamie; B. Joanie;
    C. Excludable (Note: Shown as subtraction. However, fully excludable)

23. A. Year of receipt or year accrued
    B. Either
24. B. Qualifying (A, C, and D are nonqualifying)
25. A. $170 — 1982: A $170
    B. $400 — fed B $200
    C. $200 — C $100
26. The Beards report the full amount of their unemployment compensation ($3,200) on line 19A of their Form 1040. On line 19b they report $1,100. The taxable part of Aft's unemployment compensation.
27. A. Form 1040 Line 15
    B. Schedule C Line 11
    C. Form 1040 Line 20
    D. Schedule D Line 12
28. A. No
    B. Yes (Note: Director fees are reported as self-employment income)
    C. Yes
    D. Yes
    E. Yes
    F. Yes
    G. Yes
    H. No
    I. Yes (within certain limits)
    J. Yes
    K. No
    L. Yes
29.

	Excludable Amount	Taxable Amount
1st Year	$3,600 (12 mos x $300)	$2,400 ($6,000 - $3,600 excl.)
2nd Year	3,600	2,400
3rd Year	3,600	2,400
4th Year	-0- (exclusion already claimed for 36 mos.)	
		6,000

30. John Doorman will exclude from gross income for:

1976	$1,500	($300 x 5)
1977	3,500	
1978	3,600	

Exclusion is limited to $300 per month for non-degree candidate.
31. $4000 excluded. ($3,000 principal plus $1,000 int.)

32. A. $5,000 excludable Death Benefit
B. $68,000 Taxable income

Computation:
$20,000 - Insurance lumpsum - not taxable
Insurance received in monthly payments
$50,000 - face of policy
$60,000 - total to be received (12,000 x 5)

$60,000
50,000
$10,000 div. by 5 = 2,000 a yr int. Taxable
1,000 excludable by
spouse $1,000

Lumpsum payment to beneficiary of a
deceased employee by employer.
72,000
5,000 excludable
death benefit $67,000
$68,000

33. Wife:
$\frac{\$20,000}{\$35,000} = \frac{4}{7}$ (57.14%) x $5,000 - $2,857 death benefit excl.
$20,000 - $2,857 = $17,143 taxable
Children:
$\frac{\$\ 5,000}{\$35,000} = \frac{1}{7}$ (14.286%) x $5,000 =$714 death benefit excl
$5,000 - $714 = $4,286 taxable

34. No. Interest is excluded only when principal is distributed as well.

35. None

36. $250 in gross income
$120 as itemized deductions

37. None

38. Items that are taxable: A, D, E, F, J, K, M, N, P, R, T, V, X, Y, Z, aa, bb, cc, dd, ff, hh, ii, jj, oo, rr, tt, uu, ww,

39. False

40. Jack must include $3,000 in his gross income (12 x $250), the value of Tom's accounting services. Tom must include in his income the apartment's fair rental value, or $3,000 (12 x $300), for the year.

KEY TO QUIZ: Session 111

1. D
2. A
3. B
4. A
5. A. 2
   B. 3
   C. 5
   D. 4
   E. 6
   F. 1
6. C
7. A, C.
8. A, B, D, G
9. A. B
   B. B
   C. NT
   D. F
   E. B
   F. B
   G. B
   H. O
   I. F
   J. B
10. D
11. B

SESSION IV
ADJUSTMENTS TO GROSS INCOME

Reading Assignment: Publication 17, Ch 14,15,16,17,
12 pages 45,46
1040 Pamphlet - pgs 11,12

Forms Needed for Class Handouts	Form 40	1
	1040	1
	1040 A&B	1
	2106	2
	2440	3
	3903	3

I. Review

- A. Review quiz taken in previous session
- B. Review assignment not covered in last session
- C. Answer all questions students have at this time before going into new material

II. Introduction of New Material

III. Teaching Hints

- A. Techniques
- B. Brief Commentaries
- C. Practical Case Histories
- D. Vocabulary
- E. Interview Questions

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Short quiz

VII. Resources for Teacher:

- A. Transparencies: 1040 pg 1, Forms 2106, 3903
- B. Dependency Support Statement or Fed Form 2038
- C. IRS Publications 501, 595, 463, 504, 508, 521, 522, 552
  Checklists published by CCH, P-H and RIA
- D. Keys to problems and quiz

11. INTRODUCTION TO NEW MATERIAL

Adjustments to gross income are used to complete "adjusted gross income". The term "adjusted gross income" means, in the case of an individual, gross income minus the following deductions:

1. Moving expense deductions
2. Trade and business deductions of employees
3. IRA a/c of employees
4. Pension, profit sharing, annuity, and bond purchase plan of self-employed individuals
5. Penalties forfeited because of premature withdrawal of funds from time savings accounts or deposits
6. Alimony
7. Disability income exclusion
8. Trade and business deductions
9. Deductions attributed to rents and royalties
10. Long-term capital gain deduction
11. Losses from sale or exchange of property
12. Certain deductions of life tenants and income beneficiaries of property
13. Pension, etc., plans of electing small business corporations
14. Certain portion of lump-sum distributions from plans taxed under section 404 (e)
15. Deduction for certain expenses of living abroad

Covered in this session will be the "Adjustments to Income" items 1 thru 7 above. The other items may be mentioned at the discretion of the instructor.

A. Moving expense (Form 3903)

1. Expense must be reasonable
2. Distance test: 35 miles
3. Time test: 39 or 78 weeks
4. Full-time work requirement and commencement of work. Closely related to beginning work
5. Expense must be incurred within 12 months after arrival in new place of employment
6. Certain categories of expenses are limited
7. Effect of reimbursement
8. Expenses may not be duplicated on both Forms 3903 and 2119

B. Employee business expenses (Form 2106)

1. Travel away from home
    a. Tax home
    b. Substantiation requirements. Taxpayer needs records and receipts. Tax preparer needs to question availability of these.

Tax preparer need not see nor audit records. IRS example of T & E questionnaire in student workbook.

2. Transportation expenses (not commuting expenses)
    a. Substantiation requirements
    b. Standard mileage rate (optional method)
3. Entertainment and gifts
    a. Substantiation requirements
    b. Limitations
4. Outside salesman expenses
5. Reimbursement of expense by employer
    a. Perdiem allowance
    b. Accounting to employer, effect on reporting
6. Expenses that may be itemized
    a. Example: Certain educational expenses
    b. Not Travel (Form 2106)
7. Limitation on office in home
8. See Student Workbook for Maximum Rate Info.

C. Alimony

1. What qualifies for deduction
2. Periodic payments and 10-year rule
3. Distinguish from property settlement
4. Distinguish from child support payments
5. Income to payee

D. Disability Income Exclusion (Form 2440)

1. Maximum annual exclusion $5,200 for individuals under 65
2. Reduced dollar for dollar by AGI (including disability income) in excess of $15,000
3. May elect regular annuity rules
4. Each spouse, if both disabled, may claim own exclusion
5. Married taxpayers must file joint return (unless living apart)
6. Physicians statement need only be filed first year (keep a copy in taxpayer's records)

E. Payments to an IRA

1. Form 5329 is required if you owe tax on excess contributions, premature distributions or undistributed IRA funds.
2. Who can set up plan?
3. Deduction limited to $1,500 or if taxpayer's non-working spouse is included, to $1,750. (Explain formula).
    a. Mention "briefly" 1982 changes
4. Taxation of benefits

5. Penalties for premature and insufficient distributions
6. Tax on excess contributions (see 1 above)

F. Payments to a Keogh (H.R. 10) retirement plan

1. Who can set up a plan?
2. Methods of funding
3. Deduction limited to $7,500 with a minimum $750 deduction allowed
    a. Mention "briefly" 1982 changes
4. Rules generally apply to tax-option corporation shareholders

G. Interest penalty due on early withdrawal of savings from time savings accounts and deposits.

H. Other Adjustments

1. Excess foreign living expenses
2. Forestation/Reforestation amortization
3. Repayment of Sub-pay under Trade Act of 1974
4. 1982: Marriage penalty (mention briefly)

III. TEACHING HINTS

A. Techniques

1. Lecture. buzz sessions
2. Open book problems, add items (not too many) that haven't been covered yet; this can be done very well in groups. Let the students discuss together and know there are items in problems they haven't covered yet. Students become aware of research. Students get to know each other. This technique is especially helpful if there is a considerable variance in student skills.

B. Brief commentaries

C. Practical case histories

Use own experiences (keep simple, brief and to the point)

QUIZ: Session IV: Adjustments to Gross Income

1. The taxpayers can take moving expenses if they qualify on other counts and the move is for:

   A. First job
   B. To retire
   C. Transferred by employer
   D. Changing to a different employer

2. Moving expenses can include:

   A. Cost of looking for new housing after obtaining employment
   B. Depreciation of your auto
   C. Cost of moving household goods
   D. Cost of selling your home
   E. 20 cents a mile for each auto driven
   F. Cost of terminating a lease
   G. Meals and lodging enroute to a new home site
   H. Temporary living quarters in a new area after obtaining employment
   I. Major motor repair on your trip
   J. FHA discount fee on selling old residence

3. Maximum weekly disability exclusion is:

   A. $50 B $100 C. $75 D. $150

4. To qualify for an employee's business expense adjustment that includes meals you must:

   A. Be gone over a year
   B. Be away from your tax home overnight
   C. Change your post of duty
   D. Be on a temporary assignment
   E. Have dependents

5. To qualify for moving expense the distance from your former residence to your new job must be at least _____miles further than the distance your former residence was from your former job.

   A. 35 B. 50 C. 40 D. 100

6. Which of the following moving expense deductions are not limited to a maximum amount?
   A. Travel, meals and lodging expenses to move from Santa Fe to Portland
   B. Premove househunting trips to Portland
   C. 20 days temporary living expenses immediately after arriving in Portland
   D. Commission and other expenses of the sale of the former home
   E. Each of the above is limited by a max. deduction

7. Your client purchased a new residence which increased the commuting distance to the job by over 50 miles. In moving from the old to the new residence moving expenses of $250 were incurred to move personal belongings and $500 on the loss on the sale of the old residence. How much may be deducted in moving expenses?

A. None B. $500 C. $250 D. $750

8. If a taxpayer claims moving expense before meeting the full-time work test and subsequently fails to meet the full-time work test, the taxpayer must:

A. File an amended return for the year the deduction was claimed
B. Add the amount claimed to the tax return for the year the taxpayer failed the test
C. Either A or B above
D. None of the above.

9. Which of these are true statements concerning Employee Business Expenses:

A. The optional method of computing your allowable automobile expenses may be used for a leased business car.
B. Cleaning and laundry expenses while traveling away from home overnight on business are deductible
C. If the standard mileage rate is used by an individual, the individual may not claim an additional deduction for parking fees and tolls
D. Once an automobile has been depreciated to a reasonable salvage value, no more expense relating to that automobile may be deducted in later years
E. These statements are all false
F. These statements are all true
G. Only A and C are true

10. Deductible moving expenses do not include:

A. Real estate commission paid to sell old residence
B. Cost of moving household goods
C. Cost of shipping auto to new residence
D. Loss on the sale of old residence
E. All of the above
F. None of the above

11. Mrs. Roberts flew from Chicago to Miami primarily for a business meeting. The meeting lasted three days so Mrs. Roberts stayed in Miami for two additional days to enjoy the sunshine and visit with friends. Mrs. Roberts should:

    A. Prorate the plane fare based on time devoted to business and personal activities
    B. Prorate the plane fare equally between business and personal
    C. Deduct the entire plane fare
    D. Exclude the entire cost of plane fare as a personal expense
    E. None of the above
    F. All of the above

12. In which of the following situations may an employee use the standard mileage rate?

    A. Rents a business auto
    B. Uses three autos in the business but never at the same time
    C. Claimed accelerated depreciation on the auto in the previous year
    D. Claimed additional first year depreciation and elected the straight line method of depreciation in the previous year
    E. None of the above

13. You work in Newark, N.J., and you went to California to attend a special 2-week seminar, the cost of which is deductible. While there, you spent an additional eight weeks on a purely personal vacation. Given the information below, what is your education deduction, if any:

    Cost of air fare (round trip) $400
    Cost of lodging (incurred at same weekly rate) $1,400
    Cost of meals (incurred at same weekly rate) $1,150

    A. $2,950 B. $910 C. $590 D. $510
    E. None of the above

14. Mr. West is a transient worker and is associated with no particular business locality. He may:
    A. Not deduct expenses for meals and lodging
    B. Deduct meals and lodging expenses as long as he is employed
    C. Deduct meals and lodging expenses whenever he is changing jobs
    D. Deduct meals and lodging expenses as long as he keeps receipts to substantiate the amount of money spent

15. A taxpayer in computing deductible transportation expenses last year used the standard mileage rate. Taxpayer:

    A. Must use the standard mileage rate again this year
    B. Is not allowed to use depreciation
    C. Must use actual expenses this year
    D. May use either the standard mileage rate or actual expenses whichever gives the greater deduction
    E. All of the above are true statements

16. Mr. Benny works for XYZ Company. Mr. Benny receives a base salary, commissions, and $150 per week for expected entertainment expenses. The $150 per week was arrived at as a fair allowance by the employer and the employee. Based on the above:

    A. Mr. Benny has accounted to his employer
    B. Mr. Benny is not required to maintain a record of his entertainment expense
    C. Mr. Benny may have taxable income from the entertainment allowance
    D. A & B

17. Manny Edwards, a salesperson, gave a valued customer a set of luggage costing him $120. This was the only gift he gave this particular customer during the taxable year. How much could be deducted for the gift?

    A. $10 B. $25 C. $120 D. $100 E. $50

18. Interest on an auto used for both business and personal:

    A. is deductible as an itemized deduction
    B. Is apportioned between Schedule A and Form 2106 when using the regular method
    C. Is apportioned between Schedule A and Form 2106 when using the standard mileage rate
    D. B and C are both correct

19. The moving expense adjustment for transportation of household goods may not exceed:

    A. $2,500 B. $3,000 C. $3,500 D. no limit
    E. $1,500

20. You may deduct as transportation expenses the cost of travel between your home and place of work.

A. If the work location is in a remote area not served by public transportation
B. If you run a car pool
C. The distance traveled is in excess of 50 miles
D. You can never deduct the expense of travel between your home and place of work
E. A & C above

21. To qualify for disability exclusion you must:

A. Be permanently and totally disabled
B. Be hospitalized
C. Retire because of at least a 65% disability
D. Have worked at least 5 out of the last 8 years
E. All of the above

22. Periodic payments for alimony purposes are:

A. $100 per month for eight years
B. $4,000 at the time the house is sold plus $500 a year for five years
C. $300 per month for six years which will stop if ex-spouse remarries
D. None of the above
E. All of the above

23. Mileage records are essential:

A. To show that your expenses are reasonable
B. To determine the percentage of personal driving
C. Only if you're using the mileage method
D. All of the above

24. A temporary assignment:

A. Is a job out of your home town
B. Is away from your usual post of duty for a determinable short period
C. Can only be for your regular employer
D. All of the above

LEAVE BLANK

ANSWERS TO PROBLEMS - Session IV

1. A. 2106
   B. 2106
   C. 2106
   D. A
   E. 2106

2. B, C, and D

3. A. Joplin, Missouri
   B. New York City
   C. Her tax home is wherever she is working. She is never away from home
   D. Greensboro, N.C.

4. Charlie Comptroller may not deduct expenses for transportation or his living expenses in either city. Atlanta is his tax home, and he is not traveling to Jacksonville for business purposes.

5. A. Yes. Billy is on a temporary assignment. He is away from his tax home, Dallas.
   B. Yes, because he is away from his tax home overnight
   C. He may take a deduction up to the amount he would have spent had he remained in Houston.

6. Yes. His travel is from a point in the U.S. to another point in the U.S. He did not stop in Canada, but merely passed over it.

7. Item (a) is a deductible expense. His wife's presence served no business purpose, nor did the baseball game.

8. No. Andy was outside the United States for a week.

9. Yes. He was gone for more than a week, and less than 25% (5/21) of the total time abroad was for nonbusiness activities.

10. A. By writing in the bottom margin of her 1040 "Employer payments were not more than my business expenses".
    B. See following Form 2106

11. She must substantiate the elements of time, place and business purpose.

12. Yes. If the mileage rate does not exceed 20 cents a mile, he is considered to have accounted to his employer. Yes, the 20 cents a mile less the 15 cents a mile reimbursement.

13. No. The cost of meals may be totaled daily.

14. $25 or more.

15. See following Form 2106. The optional method is more advantageous.

16.

Standard mileage		Regular method	
15,000 x 20 cents =	$3000	$1800	Gas and oil
10,000 x 11 cents	1100	500	Repairs
Parking and tolls =	600	300	Depreciation
Total	$4700	200	Tires
		600	Parking/tolls
		$3400	

Maximum allowable auto expense is $4700.

17. Business usage 3000/30,000 = 1/10 = 10%

$2,000	Gas and oil
1,000	Repairs
500	Tires
500	Insurance
$4,000	Total x 10% = $400 + $75 business portion of depreciation = $475 using regular method

3,000 miles x 20 cents = $600 using standard mileage

$600 is the maximum allowable auto expense

KEY TO EXERCISES: Session IV

1. Distance test Time test
2. 9 cents
3. 11 cents
4. None (an actual amount must be set out as child support)
5. are
6. Yes $5,000
7. It is your principal work area. This is determined by the area you work the most time or perhaps make the most money
8. 35
9. Yes
10. No. They must be incurred after employment is obtained
11. No. Must work 39 weeks out first 52 weeks. They may have 2106 job-hunting expenses but not for the move.
12. No. It is commuting
13. Yes. Mileage or transportation between two jobs in the same day is deductible
14. $248 (Meals and lodging must be prorated to 70%)
15. $275 (Plane $125, meals $50, Room $100)
16. Long enough to require time to rest
17. $5,750
18. No
19. A. $1,400 C. $3,770
    B. $3,880

20. A. 20 cents for first 15,000 miles, 11 cents - balance
    B. 9 cents

21. A. A
    B. A
    C. A
    D. B
    E. C
    F. B
    G. B
    H. B
    I. B
    J. A
    K. B
    L. B
    M. A
    N. B
    O. A

TEACHER NOTE: Point out to students that an outside salesman is not an "employee" for tax purposes (even if W-2 indicates withholding)

22. Yes, the move must relate to a taxpayer's business.

23. No. Her new principal place of work must be at least 35 miles farther from her old residence than her old residence was from her old place of work.

24. No. The $3,000 limit applies to only certain expenses related to all moving expenses other than transportation expenses in moving household goods and personal effects and travel, meals, and lodging expenses in moving from former to new residence.

25. True

26. A. Travel expenses are normally incurred while traveling away from home and include the cost of meals and lodging. Transportation expenses do not include the cost of meals and lodging and are deductible to the extent that they are directly attributed to the actual conduct of business or employment, even if the taxpayer does not leave his or her tax home.

    B. Examples of travel expenses are: taxi fares, meals, tips, lodging, bus fares, train fares, airplane fares, cleaning and laundry expenses, and baggage charges.

27. Yes

28. The expense for the noon meal is not deductible since Mr. Maple is not away from home. Away from home requires travel away from home overnight in pursuit of a trade or business. Transportation costs would be deductible.

29. $940--All expenses qualify since Ralph is an outside salesperson.

30. Point out to the taxpayer that an employee who receives reimbursements and allowances for business expenses can omit such payments from an income tax return only if three conditions are met:

    A. The employee is required to, and does, make an accounting for these expenses to his employer.
    B. The employee does not deduct these expenses on his return, and
    C. The employee's expenses equal or exceed the total of reimbursements and allowances.

31. If payments are deductible by the husband, the wife must include them in gross income. If not deductible, they need not be included in her gross income.

32. $5,200

33. $3,600

34. Harold does not qualify because he is over 65.

35. $3,800

KEY TO QUIZ: Session IV

1. A, C, & D
2. A,C,D,F,G,H, and J
3. B
4. B
5. A
6. A
7. A
8. C
9. B
10. D
11. C
12. B
13. B (400 + 20% of 1400 20% of 1150)
14. A
15. D
16. C
17. B
18. D
19. D
20. D
21. A
22. C
23. B
24. B

Form **2106**
Department of the Treasury
Internal Revenue Service

Employee Business Expenses

(Please use Form 3903 to figure moving expense deduction.)
▶ Attach to Form 1040.

1981

Your name

Social security number

Occupation in which expenses were incurred

Employer's name

Employer's address

Instructions

Use this form to show your business expenses as an employee during 1980. Include amounts:

- You paid as an employee;
- You charged to your employer (such as by credit card);
- You received as an advance, allowance, or repayment.

Several publications, available from IRS, give more information about business expenses:

Publication 463, *Travel, Entertainment, and Gift Expenses.*
Publication 529, *Miscellaneous Deductions.*
Publication 587, *Business Use of Your Home.*
Publication 508, *Educational Expenses.*

Part I.—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these expenses in Part I and use them in figuring your adjusted gross income on Form 1040, line 31.

Line 2.—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips, when you did not need sleep or rest.

Line 3.—If you use your own car in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Parts IV, V, and VI. Base the cost on your actual expenses (such as gas, oil, repairs, depreciation) or on a mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. A car whose cost is being figured under the mileage rate is considered to have a useful life of 5 years. If in any year actual expenses are claimed using a useful life of less than 5 years, use of the mileage rate after that shorter useful life will be limited to 11¢ per mile. (For depreciation, see **Publication 463**.)

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

Line 4.—If you were an outside salesperson with other business expenses, list them on line 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For outside salesperson, see **Publication 463**.)

Line 5.—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

Part II.—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. Examples are union or professional dues and expenses for tools and uniforms. (For details, see **Publication 529**.)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see **Publication 587**.)

If you show education expenses in Part I or Part II, you must fill out Part III.

Part III.—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see **Publication 508**.)

Part V.—If you trade in a car you used in business for a new one you also used in business, fill out lines 1 through 15. If you paid cash for the new car or traded in a car not used in business, fill out only lines 10 through 15. Refigure the basis for depreciation each year in the future that your percentage of business use changes.

PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

1 Fares for airplane, boat, bus, taxicab, train, etc.	982
2 Meals and lodging	
3 Car expenses (from Part IV, line 21)	
4 Outside salesperson's expenses (see Part I instructions above) ▶ #10 B	
5 Other (see Part I instructions above) ▶	
6 Add lines 1 through 5	982
7 Employer's payments for these expenses if not included on Form W-2	900
8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 24	82
9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 21	

PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

1 Business expenses not included above (list expense and amount) ▶	
2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040)	

PART III.—Information About Education Expenses Shown in Part I or Part II

1 Name of educational institution or activity ▶

2 Address ▶

3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☐ No

4 Will this study program qualify you for a new job? ☐ Yes ☐ No

5 If your answer to question 3 or 4 is No, explain (1) why you are getting the education and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶

6 List your main subjects, or describe your educational activity ▶

15

PART IV.—Car Expenses (Use either your actual expenses or the mileage rate)

	Car 1	Car 2	Car 3
A. Number of months you used car for business during 1980	12 months	months	months
B. Total mileage for months in line A	25500 miles	miles	miles
C. Business part of line B mileage	17000 miles	miles	miles
Actual Expenses (include expenses for only the months shown in line A, above.)			
1 Gasoline, oil, lubrication, etc.	801		
2 Repairs	78		
3 Tires, supplies, etc.	86		
4 Other: (a) Insurance	230		#15
(b) Taxes			
(c) Tags and licenses	50		
(d) Interest			
(e) Miscellaneous			
5 Total (add lines 1 through 4(e))	1245		
6 Business percentage of car use (divide line C by line B, above)	66.7 %	%	%
7 Business part of car expense (multiply line 5 by line 6)	830		
8 Depreciation (from Part VI, column (h))	1002		
9 Divide line 8 by 12 months	83.50		
10 Multiply line 9 by line A, above	1002		
11 Total (add line 7 and line 10; then skip to line 19)	1832		

Mileage Rate

12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above	15000 miles
13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here	3000
14 Enter any combined mileage from line C that is over 15,000 miles	2000 miles
15 Multiply line 14 by 11¢ and enter here	220
16 Total mileage expense (add lines 13 and 15)	3220
17 Business part of car interest and State and local taxes (except gasoline tax)	
18 Total (add lines 16 and 17)	3220

Summary:

19 Enter amount from line 11 or line 18, whichever you used	3220
20 Parking fees and tolls	78
21 Total (add lines 19 and 20). Enter here and in Part I, line 3	3298

PART V.—Basis for Depreciation of Car Used in Business (See instructions on front)

Trade-in of Old Car:

1 (a) Total mileage at trade-in	miles
(b) Business mileage	miles
(c) Business percentage (divide line (b) by line (a))	%
2 Purchase price or other basis	
3 Trade-in allowance	
4 Difference (subtract line 3 from line 2)	
5 Multiply line 4 by percentage on line 1(c)	
6 Gain or (loss) on previous trade-in	
7 Balance of lines 5 and 6 (subtract gain or add (loss))	
8 Depreciation allowed or allowable	
9 Gain or (loss) on business part (Subtract line 7 from line 8 for gain; or line 8 from line 7 for (loss)).	

New Car:

10 Purchase price or other basis	
11 Estimated salvage value	
12 Difference (subtract line 11 from line 10)	
13 Multiply line 12 by the percentage on line 6 of Part IV	
14 Enter gain or (loss) from line 9	
15 Basis for depreciation (Balance of lines 13 and 14: subtract gain or add (loss))	

PART VI.—Car Depreciation

Make and model of car (a)	Date acquired (b)	Basis (from line 15, Part V) (c)	Age of car when acquired (d)	Depreciation allowed in previous years (e)	Method of figuring depreciation (f)	Rate (%) or life (years) (g)	Depreciation this year (h)

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0)

SITUATION 1

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name: DAVE S. + CANDY L. ROLLINS
Your social security number: 498 58 2820
Present home address (Number and street, including apartment number, or rural route): 329 SAMPSON
Spouse's social security no.: 491 54 2802
City, town or post office, State and ZIP code: GLADSTONE OR 97207
Your occupation ▶ CONSTR. WKR
Spouse's occupation ▶ SECRETARY

Presidential Election Campaign
▶ Do you want $1 to go to this fund? . . . ☐ Yes ☒ No
▶ If joint return, does your spouse want $1 to go to this fund? . . . ☒ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status
Check only one box.
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.
6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☒ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 2
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
e Total number of exemptions claimed . . . Add numbers entered in boxes above ▶ 2

Income
Please attach Copy B of your Forms W-2 here.
If you do not have a W-2, see page 5 of Instructions.

7 Wages, salaries, tips, etc.			7	23,140
8a Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	624		
b Dividends (attach Schedule B if over $400)	8b			
c Total. Add lines 8a and 8b	8c	624		
d Exclusion (See page 9 of Instructions)	8d	400		
e Subtract line 8d from line 8c (but not less than zero)			8e	224
9 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	
10 Alimony received			10	
11 Business income or (loss) (attach Schedule C) ▶			11	
12 Capital gain or (loss) (attach Schedule D)			12	
13 40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14 Supplemental gains or (losses) (attach Form 4797)			14	
15 Fully taxable pensions and annuities not reported on line 16			15	
16a Other pensions and annuities. Total received	16a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18 Farm income or (loss) (attach Schedule F) ▶			18	
19a Unemployment compensation (insurance). Total received	19a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20 Other income (state nature and source—see page 11 of Instructions) ▶			20	
21 Total income. Add amounts in column for lines 7 through 20 ▶			21	23,364

Please attach check or money order here.

Adjustments to Income
(See Instructions on page 11)

22 Moving expense (attach Form 3903 or 3903F)	22	2953		
23 Employee business expenses (attach Form 2106)	23	342		
24 Payments to an IRA (enter code from page 11 ......)	24			
25 Payments to a Keogh (H.R. 10) retirement plan	25			
26 Interest penalty on early withdrawal of savings	26	43		
27 Alimony paid	27	1200		
28 Disability income exclusion (attach Form 2440)	28			
29 Other adjustments—see page 12 ▶	29			
30 Total adjustments. Add lines 22 through 29 ▶			30	4538

Adjusted Gross Income

31 Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	18826

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Tax Computation
(See Instructions on page 12)

32a	Amount from line 31 *(adjusted gross income)*		32a	18826	
32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41		32b	0	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*				
32c	Subtract line 32b from line 32a		32c	18826	
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e		33	2000	
34	Taxable Income. Subtract line 33 from line 32c		34	16826	
35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726		35	2432	
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax		36		
37	**Total.** Add lines 35 and 36 ▶		37	2432	

Credits
(See Instructions on page 13)

38	Credit for contributions to candidates for public office	38			
39	Credit for the elderly *(attach Schedules R&RP)*	39			
40	Credit for child and dependent care expenses *(attach Form 2441)*	40			
41	Investment credit *(attach Form 3468)*	41			
42	Foreign tax credit *(attach Form 1116)*	42			
43	Work incentive (WIN) credit *(attach Form 4874)*	43			
44	Jobs credit *(attach Form 5884)*	44			
45	Residential energy credit *(attach Form 5695)*	45			
46	**Total credits.** Add lines 38 through 45			46	
47	**Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	2432

Other Taxes
(Including Advance EIC Payments)

48	Self-employment tax *(attach Schedule SE)*	48	
49a	Minimum tax. Attach Form 4625 and check here ▶ ☐	49a	
49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐	49b	
50	Tax from recomputing prior-year investment credit *(attach Form 4255)*	50	
51a	Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*	51a	
51b	Uncollected employee FICA and RRTA tax on tips *(from Form W–2)*	51b	
52	Tax on an IRA *(attach Form 5329)*	52	
53	Advance earned income credit (EIC) payments received *(from Form W–2)*	53	
54	**Total tax.** Add lines 47 through 53 ▶	54	2432

06

Payments
Attach Forms W–2, W–2G, and W–2P to front.

55	Total Federal income tax withheld	55	3784		
56	1981 estimated tax payments and amount applied from 1980 return	56			
57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57			
58	Amount paid with Form 4868	58			
59	Excess FICA and RRTA tax withheld (two or more employers)	59			
60	Credit for Federal tax on special fuels and oils *(attach Form 4136 or 4136–T)*	60			
61	Regulated Investment Company credit *(attach Form 2439)*	61			
62	**Total.** Add lines 55 through 61 ▶			62	3784

Refund or Balance Due

63	If line 62 is larger than line 54, enter amount **OVERPAID** ▶			63	1352	
64	Amount of line 63 to be **REFUNDED TO YOU** ▶			64	1352	00
65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65				
66	If line 54 is larger than line 62, enter **BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature	Date	Check if self-employed ▶ ☐	Preparer's social security no. xxx xx xxxx
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

18

SITUATION 1

Schedules A&B (Form 1040) 1981

Schedule B—Interest and Dividend Income

OMB No. 1545-0074

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)
DAVE S. + CANDY L. ROLLINS

Your social security number
498 | 58 | 2820

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	▨
COMMERCE BANK	468
U.S. BANK	156
1b Total. Add above amounts	624
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	▨
1d Total	▨
1e Exclusion (See page 20 of Instructions)	▨
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d*	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	624

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount
3	
4 Total. Add above amounts	
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	▨
6 Nontaxable distributions (See Instructions for adjustment to basis)	▨
7 Total (add lines 5 and 6)	
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	

B

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

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SITUATION 1

Form **3903**
Department of the Treasury
Internal Revenue Service (0)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040: DAVE S. + CANDY L. ROLLINS

Your social security number: 498 58 2820

(a) What is the distance from your former residence to your new job location? 343 miles

(b) What is the distance from your former residence to your former job location? 9 miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects 343 x 9¢ = 31 + 18					1	210
2 Travel, meals, and lodging expenses in moving from former to new residence					2	49
3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job	3	98				
4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job 686 x 9¢ = 62 + 16 + 20 = 98	4	400				
5 Total. Add lines 3 and 4	5	498				
6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year)			6	498		
7 Expenses for: (Check only one box) (a) ☒ sale or exchange of your former residence; or, (b) ☐ if renting, settlement of unexpired lease on your former residence			7	2050		
8 Expenses for: (Check only one box) (a) ☒ buying a new residence; or, (b) ☐ if renting, getting a lease on a new residence			8	146		
9 Total. Add lines 6, 7, and 8			9	2694		
Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*						
10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year)					10	2694
11 Total moving expenses. Add lines 1, 2, and 10					11	2953
12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2					12	
13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22					13	2953
14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement"					14	

General Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Who May Deduct Moving Expenses.—If you moved your residence because of a change in the location of your job, you may be able to deduct your moving expenses. You may qualify for a deduction whether you are self-employed or an employee. But you must meet certain tests of distance and time, explained below. If you need more information, please get Publication 521, Moving Expenses.

Note: If you are a U.S. citizen or resident who moved to a new principal work place outside the United States or its possessions, get Form 3903F, Foreign Moving Expense Adjustment.

(1) *Distance Test.*—Your new job location must be at least 35 miles farther from your former residence than your old job location was. For example, if your former job was 3 miles from your former residence, your new job must be at least 38 miles from that residence. If you did not have an old job location, your new job must be at least 35 miles from your former residence. (The distance between the two points is the shortest of the commonly traveled routes between the points.)

(2) *Time Test.*—If you are an employee, you must work full time for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work for at least 39 weeks during the first 12 months and a total of 78 weeks during the 24 months right after you move.

You may deduct your moving expenses for 1981 even if you have not met the "time" test before your 1981 return is due. You may do this if you expect to meet the 39-week test by the end of 1982 or the 78-week test by the end of 1983. If you have not met the test by then, you will have to do one of the following:

- Amend your 1981 tax return on which you deducted moving expenses. To do this, use Form 1040X, Amended U.S. Individual Income Tax Return.
- Report as income on your tax return for the year you cannot meet the test the amount you deducted on your 1981 return.

(Continued on back)

20

SITUATION 1

Form **2106**
Department of the Treasury
Internal Revenue Service (0)

Employee Business Expenses

(Please use Form 3903 to figure moving expense deduction.)

▶ Attach to Form 1040.

OMB No. 1545-0139

1981

Your name: DOUG S. ROLLINS
Social security number: 498 58 2820
Occupation in which expenses were incurred: CONSTRUCTION
Employer's name: GARTH CONSTRUCTION CO
Employer's address: KLAMATH FALLS, OR

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Instructions

Use this form to show your business expenses as an employee during 1981. Include amounts:

- You paid as an employee;
- You charged to your employer (such as by credit card);
- You received as an advance, allowance, or repayment.

Several publications available from IRS give more information about business expenses:

Publication 463, *Travel, Entertainment, and Gift Expenses.*
Publication 529, *Miscellaneous Deductions.*
Publication 587, *Business Use of Your Home.*
Publication 508, *Educational Expenses.*

Part I.—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these expenses in Part I and use them in figuring your adjusted gross income on Form 1040, line 31.

Line 2.—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips when you did not need sleep or rest.

Line 3.—If you use a car you own in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Part IV. You can take either the cost of your actual expenses (such as gas, oil, repairs, depreciation, etc.) or you can use the standard mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. If you use the standard mileage rate to figure the cost of business use, the car is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. After 60,000 miles of business use at the maximum rate, the car is considered to be fully depreciated. (For details, see Publication 463.)

Caution: You cannot use the mileage rate for a leased vehicle.

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

Line 4.—If you were an outside salesperson with other business expenses, list them on line 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For details, see Publication 463.)

Line 5.—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

Part II.—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. (For details, see Publication 529.)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see Publication 587.)

If you show education expenses in Part I or Part II, you must fill out Part III.

Part III.—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see Publication 508.)

Part IV, line 8—Depreciation

Cars placed in service before 1/1/81:
You must continue to use either the standard mileage rate or the method of depreciation you used in earlier years. You cannot change to either of the new methods available in 1981.

Cars placed in service after 12/31/80:

If you placed a car in service in 1981 and you do not use the standard mileage rate, you must use the new Accelerated Cost Recovery System (ACRS). One method lets you deduct the following percentages of your cost basis regardless of what month you placed the car in service:

1981—25%
1982—38%
1983—37%

Example: You bought a new car, without a trade-in, for $10,000 in September 1981, and used it 60% for business. Your basis for depreciation is $6,000 ($10,000 × 60%). For 1981 your depreciation deduction is $1,500 ($6,000 × 25%). If your percentage of business use changes in 1982, you must refigure your basis for depreciation.

There is also an alternate ACRS method under which you may use a straight-line method over a recovery period of 3, 5, or 12 years.

Note: *If you use the mileage rate, you are considered to have made an election to exclude this vehicle from ACRS.*

You do not have to consider salvage value in either of these methods. Please see Publication 463 for details on how to figure the deduction under either method.

PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

1 Fares for airplane, boat, bus, taxicab, train, etc.	
2 Meals and lodging (12 x $8) 96 + 132 (11 x $12)	228
3 Car expenses (from Part IV, line 21)	114
4 Outside salesperson's expenses (see Part I instructions above) ▶	
5 Other (see Part I instructions above) ▶	
6 Add lines 1 through 5	342
7 Employer's payments for these expenses if not included on Form W-2	
8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 23	342
9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 20	

PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

1 Business expenses not included above (list expense and amount) ▶	
2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040)	

PART III.—Information About Education Expenses Shown in Part I or Part II

Name of educational institution or activity ▶

2 Address ▶

3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☐ No

4 Will this study program qualify you for a new job? ☐ Yes ☐ No

5 If your answer to question 3 or 4 is Yes, you cannot deduct these expenses. If No, explain (1) why you are getting the education, and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶

6 List your main subjects, or describe your educational activity ▶

PART IV.—Car Expenses (Use either your actual expenses or the mileage rate.)

	Car 1	Car 2	Car 3
A. Number of months you used car for business during 1981	months	months	months
B. Total mileage for months in line A	miles	miles	miles
C. Business part of line B mileage	miles	miles	miles

Actual Expenses (Include expenses on lines 1–5 for only the months shown in line A, above.)

1 Gasoline, oil, lubrication, etc.			
2 Repairs			
3 Tires, supplies, etc.			
4 Other: (a) Insurance			
(b) Taxes			
(c) Tags and licenses			
(d) Interest			
(e) Miscellaneous			
5 Total (add lines 1 through 4(e))			
6 Business percentage of car use (divide line C by line B, above)	%	%	%
7 Business part of car expense (multiply line 5 by line 6)			
8 Depreciation (see instructions on front) Caution: *If you use ACRS, skip line 9 and enter the amount from line 8 on line 10.*			
9 Divide line 8 by 12 months			
10 Multiply line 9 by line A, above			
11 Total (add line 7 and line 10; then skip to line 19)			

Mileage Rate

12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above		570 miles
13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here		114
14 Enter any combined mileage from line C that is over 15,000 miles	miles	▨
15 Multiply line 14 by 11¢ and enter here		
16 Total mileage expense (add lines 13 and 15)		114
17 Business part of car interest and State and local taxes (except gasoline tax)		
18 Total (add lines 16 and 17)		114

Summary

19 Enter amount from line 11 or line 18, whichever you used	114
20 Parking fees and tolls	
21 Total (add lines 19 and 20). Enter here and in Part I, line 3	114

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FULL-YEAR RESIDENTS ONLY

SITUATION 1

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name: ROLLINS
First name and initial: DAVE S
Social Security number: 498 58 2820
Spouse's last name if different and joint return:
Spouse's first name and initial if joint return: CANDY L.
Spouse's Social Security number: 491 54 2802
Mailing address: 329 SAMPSON
Telephone number: 456-8765
City: GLADSTONE
State: OR
ZIP Code: 97027
County: CLACKAMAS

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No
If NO, give reason: ____________

For office use only

Filling Status

Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ____________ (Spouse's name)
4 ☐ Unmarried head of household ____________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse	X				1
Dependents ____________ (First names)					
Total exemptions claimed ●					2

Attach W-2 wage slips and payment here

1 Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10	1	18826

OREGON CHANGES TO INCOME

2 Interest received from All Savers Certificates	● 2	
3 Changes in depreciation for Oregon	● 3	
4 Other Oregon changes to federal income. Identify ____________	● 4	
5 Oregon adjusted gross income. Add lines 1, 2, 3 and 4	5	18826

ADDITIONS

6 Interest on local government bonds of other states	● 6	
7 Other additions. Identify ____________	● 7	
8 Total additions. Add lines 6 and 7	8	
9 Income after additions. Line 5 plus line 8	9	18826

SUBTRACTIONS

10 1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21	● 10	2432
11 Oregon income tax refund included in federal income (not property tax refund)	● 11	
12 Interest from U.S. government, such as Series E and H bonds	● 12	
13 U.S. public retirement income. Not more than $3,400. See instructions, page 21	● 13	
14 Military active duty pay. Not more than $3,000. See instructions, page 22	● 14	
15 Oregon public retirement income	● 15	
16 Other subtractions. Identify ____________	● 16	
17 Total subtractions. Add lines 10 through 16	17	2432
18 Income after subtractions. Line 9 minus line 17	18	16394

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

23

19	Amount from front of form, line 18		19	16394

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22. OR only line 23

20	Itemized deductions from Schedule A, line 39	• 20		EITHER, NOT BOTH	
21	State income tax claimed as an itemized deduction	• 21			
22	Net Oregon itemized deductions. Line 20 minus line 21	22			
23	Standard deduction from table, page 10	23	1500		
24	Exemptions. Multiply your total Oregon exemptions by $1,000	24	2000		
25	Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24			25	3500
26	Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-			• 26	12894

OREGON TAX

27	Oregon tax from rate charts, page 18	• 27	979		
28	Minimum tax. **Attach Schedule M** if you need to pay this extra tax	• 28			
29	Total tax. Add lines 27 and 28			29	979
30	Credit for the elderly, 15% of your federal credit for the elderly	• 30			
31	Child care credit, 40% of your federal child care credit	• 31			
32	Credit for income tax paid to another state. **Attach proof.** See page 28	• 32			
33	Political contribution credit. See limits, page 29. **Attach proof**	• 33			
34	Weatherization credit. For users of certain fuels. **Attach certificate.** See page 29	• 34			
35	Other credits. Identify ____________	• 35			
36	Total credits. Add lines 30 through 35			36	
37	Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-			37	979

TAX PAYMENTS MADE IN 1981

38	Oregon income tax withheld from wages. **Attach W-2 wage slips**	• 38	842		
39	Estimated tax payments for 1981	• 39			
40	Total tax already paid. Add lines 38 and 39			40	842
41	Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40			• 41	
42	ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	• 42		These will reduce your refund	
	I wish to donate part of my tax refund to the following:				
43	Oregon Nongame Wildlife Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☒ None	• 43			
44	Oregon Arts Development Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☒ None	• 44			
45	Total. Add lines 42, 43 and 44. Total can't be more than line 41			45	-0-
46	**NET REFUND.** Line 41 minus 45. This is your net refund			• 46	
47	**TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.			• 47	137 00
48	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax If Form 10 is attached, check ☐. See page 31 of instructions.			• 48	

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.

Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ____________ Date ____

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ____________

Student Signature

Signature of preparer other than taxpayer ____________ License no. ____

Address ____________

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

Situation 2

Form **3903**
Department of the Treasury
Internal Revenue Service (0)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040: Bill Taylor

Your social security number:

(a) What is the distance from your former residence to your new job location? 150 miles

(b) What is the distance from your former residence to your former job location? 9 miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects 300 x 9¢ = 27 + 20					1	700
2 Travel, meals, and lodging expenses in moving from former to new residence					2	47
3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job	3	472				
4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job (4 wks + 2 days)	4	1140				
5 Total. Add lines 3 and 4	5	1612				
6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year)			6	1500		
7 Expenses for: (Check only one box) (a) ☒ sale or exchange of your former residence; or, (b) ☐ if renting, settlement of unexpired lease on your former residence			7	525		
8 Expenses for: (Check only one box) (a) ☐ buying a new residence; or, (b) ☐ if renting, getting a lease on a new residence			8	1000		
9 Total. Add lines 6, 7, and 8			9	3025		
Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*						
10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year)					10	3000
11 Total moving expenses. Add lines 1, 2, and 10					11	3747
12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2					12	
13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22					13	3747
14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement"					14	

Teacher: Paragraph 1 is all 2106 expenses. Meals and lodging are deductible as travel expense and the 2500 miles at 20¢ per mile. These are job-seeking expenses.

Form **3903**
Department of the Treasury
Internal Revenue Service (0)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040: Joe + Mary Blow   Situation 3

Your social security number: 123 45 6789

(a) What is the distance from your former residence to your new job location? 500 miles

(b) What is the distance from your former residence to your former job location? 10 miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects 500 x 9¢ = 45 + 50 + 25			1	2800
2 Travel, meals, and lodging expenses in moving from former to new residence			2	120
3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job	3			
4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job 8x30=240 30/7 x 80 = 343	4	583		
5 Total. Add lines 3 and 4	5	583		
6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year)	6	583		
7 Expenses for: (Check only one box) (a) ☐ sale or exchange of your former residence; or, (b) ☐ if renting, settlement of unexpired lease on your former residence	7	1800		
8 Expenses for: (Check only one box) (a) ☒ buying a new residence; or, (b) ☐ if renting, getting a lease on a new residence	8	500		
9 Total. Add lines 6, 7, and 8	9	2883		

Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*

10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year)	10	2883
11 Total moving expenses. Add lines 1, 2, and 10	11	5803
12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2	12	
13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22	13	5803
14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement"	14	

TEACHER HINT: 350 miles @ 20¢ per mile and the $45 qualify as job-seeking expenses, and go on a Form 2106. These are not Schedule A expenses.
Also, point out to the students that the unused amount of $25 from Line 7 goes to the Form 2119 as an expense of the house sale and should be so indicated on Line 7.

(Continued on back)

26

Form **2106**
Department of the Treasury
Internal Revenue Service (0)

SITUATION #4

Employee Business Expenses

(Please use Form 3903 to figure moving expense deduction.)
▶ Attach to Form 1040.

OMB No. 1545-0139
1981

Your name: JOHN JONES
Social security number: 777 | 25 | 000
Occupation in which expenses were incurred: OUTSIDE SALESMAN
Employer's name: ACME, INC
Employer's address: MIDVALE, ID.

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Instructions

Use this form to show your business expenses as an employee during 1981. Include amounts:

- You paid as an employee;
- You charged to your employer (such as by credit card);
- You received as an advance, allowance, or repayment.

Several publications available from IRS give more information about business expenses:

Publication 463, *Travel, Entertainment, and Gift Expenses.*
Publication 529, *Miscellaneous Deductions.*
Publication 587, *Business Use of Your Home.*
Publication 508, *Educational Expenses.*

Part I.—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these expenses in Part I and use them in figuring your adjusted gross income on Form 1040, line 31.

Line 2.—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips when you did not need sleep or rest.

Line 3.—If you use a car you own in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Part IV. You can take either the cost of your actual expenses (such as gas, oil, repairs, depreciation, etc.) or you can use the standard mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. If you use the standard mileage rate to figure the cost of business use, the car is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. After 60,000 miles of business use at the maximum rate, the car is considered to be fully depreciated. (For details, see Publication 463.)

Caution: You cannot use the mileage rate for a leased vehicle.

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

Line 4.—If you were an outside salesperson with other business expenses, list them on line 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For details, see Publication 463.)

Line 5.—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

Part II.—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. (For details, see Publication 529.)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see Publication 587.)

If you show education expenses in Part I or Part II, you must fill out Part III.

Part III.—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see Publication 508.)

Part IV, line 8—Depreciation

Cars placed in service before 1/1/81:

You must continue to use either the standard mileage rate or the method of depreciation you used in earlier years. You cannot change to either of the new methods available in 1981.

Cars placed in service after 12/31/80:

If you placed a car in service in 1981 and you do not use the standard mileage rate, you must use the new Accelerated Cost Recovery System (ACRS). One method lets you deduct the following percentages of your cost basis regardless of what month you placed the car in service:

1981—25%
1982—38%
1983—37%

Example: You bought a new car, without a trade-in, for $10,000 in September 1981, and used it 60% for business. Your basis for depreciation is $6,000 ($10,000 × 60%). For 1981 your depreciation deduction is $1,500 ($6,000 × 25%). If your percentage of business use changes in 1982, you must refigure your basis for depreciation.

There is also an alternate ACRS method under which you may use a straight-line method over a recovery period of 3, 5, or 12 years.

Note: *If you use the mileage rate, you are considered to have made an election to exclude this vehicle from ACRS.*

You do not have to consider salvage value in either of these methods. Please see Publication 463 for details on how to figure the deduction under either method.

PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

1 Fares for airplane, boat, bus, taxicab, train, etc.	
2 Meals and lodging	
3 Car expenses (from Part IV, line 21)	3653
4 Outside salesperson's expenses (see Part I instructions above) ▶	550
ENTERTAINMENT (BUS. LUNCHES) $300	
BUSINESS CARDS $50 STATIONERY $50	
POSTAGE $150	
5 Other (see Part I instructions above) ▶	
6 Add lines 1 through 5	4203
7 Employer's payments for these expenses if not included on Form W-2	
8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 23	4203
9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 20	

PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

1 Business expenses not included above (list expense and amount) ▶	
2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040)	

86

PART III.—Information About Education Expenses Shown in Part I or Part II

1 Name of educational institution or activity ▶

2 Address ▶

3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☐ No

4 Will this study program qualify you for a new job? ☐ Yes ☐ No

5 If your answer to question 3 or 4 is Yes, you cannot deduct these expenses. If No, explain (1) why you are getting the education, and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶

6 List your main subjects, or describe your educational activity ▶

PART IV.—Car Expenses (Use either your actual expenses or the mileage rate.)

	Car 1	Car 2	Car 3
A. Number of months you used car for business during 1981	12 months	months	months
B. Total mileage for months in line A	21550 miles	miles	miles
C. Business part of line B mileage	16163 miles	miles	miles
Actual Expenses (Include expenses on lines 1–5 for only the months shown in line A, above.)			
1 Gasoline, oil, lubrication, etc.	750		
2 Repairs			
3 Tires, supplies, etc.	460		
4 Other: (a) Insurance	200		
(b) Taxes			
(c) Tags and licenses	20		
(d) Interest	400		
(e) Miscellaneous	125		
5 Total (add lines 1 through 4(e))	1955		
6 Business percentage of car use (divide line C by line B, above)	75 %	%	%
7 Business part of car expense (multiply line 5 by line 6)	1466		
8 Depreciation (see instructions on front) Caution: *If you use ACRS, skip line 9 and enter the amount from line 8 on line 10.*	750		
9 Divide line 8 by 12 months	62.50		
10 Multiply line 9 by line A, above	750		
11 Total (add line 7 and line 10; then skip to line 19)	2216		

Mileage Rate

12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above		15000 miles
13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here		3000
14 Enter any combined mileage from line C that is over 15,000 miles	1163 miles	▨
15 Multiply line 14 by 11¢ and enter here		128
16 Total mileage expense (add lines 13 and 15)		3128
17 Business part of car interest and State and local taxes (except gasoline tax)	75% x 400	300
18 Total (add lines 16 and 17)		3428

Summary

19 Enter amount from line 11 or line 18, whichever you used	3428
20 Parking fees and tolls	225
21 Total (add lines 19 and 20). Enter here and in Part I, line 3	3653

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Form **2440**
Department of the Treasury
Internal Revenue Service

Disability Income Exclusion

(Applies Only to Disabled Retirees Under Age 65)
▶ Attach to Form 1040. ▶ See Instructions on back.

1981
26

Name(s) as shown on Form 1040: 7/7 A Situation #5

Social security number:

See Instruction B for Income Limits on Exclusion

	Date you retired (if after December 31, 1976, also enter this date in the space after box (2) on physician's statement below).	Employer's name (also give payer's name, if other than employer)
Yourself		
Spouse		

Note: *To take the disability income exclusion, you must complete lines 1 through 9.*

Joint return filers use column (a) for wife and column (b) for husband. All other filers use column (b) only.

	(a)	(b)
1 Enter total disability pay you got during 1980		3900
2 (i) Multiply $100 by the number of weeks for which your disability payments were at least $100. Enter total		
(ii) If you received disability payments of less than $100 for any week, enter the total amount you received for all such weeks		3900
(iii) If you received disability payments for less than a week, enter the smaller amount of either the amount you received or the highest exclusion allowable for the period (see Instruction D)		
(iv) Add lines (i), (ii), and (iii). Enter total		3900
3 Add amounts on line 2(iv). Enter total		3900
4 Enter total income from Form 1040, line 22	10000	
5 Add amounts on Form 1040, lines 23 through 28. Enter total	0	
6 Subtract line 5 from line 4	10000	
7 Amount used to figure any exclusion decrease (see Instruction B)	$15,000.00	
8 Subtract line 7 from line 6 (if line 7 is more than line 6, enter $0)		0
9 Subtract line 8 from line 3. This is your disability income exclusion. Enter here and on Form 1040, line 29		3900

10 If you filed a physician's statement for this disability in an earlier year, please check this box. (You do not have to file another statement.) ▶ ☐

Form 2440 (1980)

Physician's Statement of Permanent and Total Disability

▶ Please complete and return to taxpayer.

Name of disabled taxpayer:

Social security number:

I certify that the taxpayer named above was (check only one box—please see instructions below):

(1) ☐ Permanently and totally disabled on January 1, 1976, or January 1, 1977.

(2) ☐ Permanently and totally disabled on the date he or she retired. Date retired ▶

Physician's name:

Physician's address:

Physician's signature:

Date:

Instructions for Statement

Taxpayer

Please enter your name and social security number. If you retired after December 31, 1976, enter your retirement date in the space after box (2).

Physician

Box (1) applies to taxpayers who retired before January 1, 1977.

Box (2) applies to taxpayers who retired after December 31, 1976.

What is Permanent and Total Disability?

A person is permanently and totally disabled when—

- He or she is unable to engage in any substantial gainful activity because of a physical or mental condition; and
- A physician determines that the disability (a) has lasted or can be expected to last continuously for at least a year; or (b) can be expected to lead to death.

29

Note: *To take the disability income exclusion, you must complete lines 1 through 9.*

TAXPAYERS B + D

		(a)	(b)
	Joint return filers use column (a) for wife and column (b) for husband. All other filers use column (b) only.		
1	Enter total disability pay you got during 1980		3000
2 (i)	Multiply $100 by the number of weeks for which your disability payments were at least $100. Enter total		3000
(ii)	If you received disability payments of less than $100 for any week, enter the total amount you received for all such weeks		
(iii)	If you received disability payments for less than a week, enter the smaller amount of either the amount you received or the highest exclusion allowable for the period (see Instruction D)		
(iv)	Add lines (i), (ii), and (iii). Enter total		3000
3	Add amounts on line 2(iv). Enter total		3000
4	Enter total income from Form 1040, line 22	16,000	
5	Add amounts on Form 1040, lines 23 through 28. Enter total		
6	Subtract line 5 from line 4	16,000	
7	Amount used to figure any exclusion decrease (see Instruction B)	$15,000.00	
8	Subtract line 7 from line 6 (if line 7 is more than line 6, enter $0)		1000
9	Subtract line 8 from line 3. This is your disability income exclusion. Enter here and on Form 1040, line 29		2000

10 If you filed a physician's statement for this disability in an earlier year, please check this box. (You do not have to file another statement.) ▶ ☐

Form **2440** (1980)

Internal Revenue Service ▶ Attach to Form 1040. ▶ See instructions on back.

Name(s) as shown on Form 1040 | Social security number

See Instruction B for Income Limits on Exclusion

	Date you retired (if after December 31, 1976, also enter this date in the space after box (2) on physician's statement below).	Employer's name (also give payer's name, if other than employer)
Yourself		
Spouse		

Note: *To take the disability income exclusion, you must complete lines 1 through 9.*

TAXPAYER C

		(a)	(b)
	Joint return filers use column (a) for wife and column (b) for husband. All other filers use column (b) only.		
1	Enter total disability pay you got during 1980		7800
2 (i)	Multiply $100 by the number of weeks for which your disability payments were at least $100. Enter total		5200
(ii)	If you received disability payments of less than $100 for any week, enter the total amount you received for all such weeks		
(iii)	If you received disability payments for less than a week, enter the smaller amount of either the amount you received or the highest exclusion allowable for the period (see Instruction D)		
(iv)	Add lines (i), (ii), and (iii). Enter total		5200
3	Add amounts on line 2(iv). Enter total		5200
4	Enter total income from Form 1040, line 22	20,000	
5	Add amounts on Form 1040, lines 23 through 28. Enter total		
6	Subtract line 5 from line 4	20,000	
7	Amount used to figure any exclusion decrease (see Instruction B)	$15,000.00	
8	Subtract line 7 from line 6 (if line 7 is more than line 6, enter $0)		5000
9	Subtract line 8 from line 3. This is your disability income exclusion. Enter here and on Form 1040, line 29		200

10 If you filed a physician's statement for this disability in an earlier year, please check this box. (You do not have to file another statement.) ▶ ☐

Form **2440** (1980)

30

SESSION V
ITEMIZED DEDUCTIONS
Medical, Taxes, Interest

Reading Assignment: Publication 17, Ch. 19, 20, 21

Forms Required for Class Handouts	1 - 1040 1 - Schedules A & B

I. Review

A. Review quiz taken in previous session.

B. Review assignment not covered in last session

C. Answer all questions students have at this time before going into new material

II. Introduction of New Material

III. Teaching Hints

A. Illustrate on overhead transparency, lines 1 thru 20 of the Schedule A.

B. Vocabulary

C. Interview Questions

D. Teacher Hints

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session.

VI. Short quiz

III. Resources for Teacher

A. Transparency Schedules A/B

B. Reference Material
IRS Publications - 502, 545, 550

C. Keys to Problems and Quiz

II INTRODUCTION OF NEW MATERIAL

A. Determine who may or must itemize deductions.

B. Medical Expenses

1. Medical insurance premiums (including Medicare B).
    a. Medical
    b. Dental
2. Drugs and Medicines
    a. 1% of AGI limitation
3. Medical and dental expenses
    a. Doctors and dentists fees
    b. Hospital and lab fees
    c. Special equipment
    d. Capital expenditures
    e. Transportation (and lodging) expenses
    f. Insurance reimbursements
    g. 3% of AGI limitation

C. Taxes

1. Income (state, local, foreign)
2. Real property (state, local, foreign)
3. Sales tax
    a. General sales tax from table (state, local) and in addition, sales tax on purchase of:
        1. car or truck
        2. boat
        3. airplane
        4. home or mobile home
        5. construction materials for a new home *if* taxpayer is own contractor (not remodel or addition).
    b. An alternative to the sales tax table is to save receipts of purchases to record actual sales tax paid. (Oregon resident must use this method to deduct any sales taxes paid.)
    c. Optional Sales Tax Tables
        1. In addition to AGI, income includes nontaxable income such as Social Security, total unemployment benefits, insurance proceeds, excludable dividends, long-term capital gain exclusion, etc.
        2. Show how to compute tax on income over $40,000.
4. Personal Property (state, local) 3 tests
    a. Ad valorem
    b. Annual basis
    c. Imposed on personal property
5. Income-producing (e.g., state transfer taxes on security sales)

6. Definitions:
    a. Tax: Must be imposed on taxpayer, taxpayer must be liable.
    b. Tax: Must be paid
        1. State income taxes withheld, and state income taxes paid on prior year's return, plus estimates on next year's return
        2. In a year real property is bought or sold, taxes must be pro-rated and adjusted. Explain how to check escrow papers for apportionment figures.
    c. Nondeductible taxes. Publication 17, p.84
        1. Various federal taxes (FICA, federal income taxes, etc.)
        2. Certain state or local taxes (inheritance, tobacco, alcoholic beverages, etc.)
    d. Distinguish between taxes imposed upon the taxpayer (deducted on Schedule A) and business taxes which are deducted elsewhere (Schedules C, E and F, for example).

D. Interest Expense

1. Must be taxpayer's legal obligation.
    a. Debtor-creditor relationship established.
    b. Fixed or determinable amount.
2. See checklists: Pub 545, Income Tax Deduction for Interest Expense, Pub 17, pp 85-86
    a. Items you may deduct
    b. Items you may not deduct
3. Cash method: when paid, if taxpayer uses cash method.
   Accrual method: when accrued, if taxpayer uses accrual method.
4. Prepaid interest: must be deducted in the year to which the interest charge actually applies. The PENALTY for Prepayment of a mortgage is deductible as interest in the year paid.
5. Calculating the interest deduction: If carrying (service) charges are stated separately in an installment sales contract but interest is not, the deduction is the lessor of:
    a. 6% of the average unpaid balance; or
    b. the portion of the total fee or service charge allocable to the year.

III. TEACHING HINTS

A. Illustrate on overhead transparency, lines 1 thru 20 of the Schedule A.

B. Vocabulary - Student Workbook

C. Interview Questions - Student Workbook

D. Teacher Hint

State tax refund: review from session III the concept of the taxability of the state tax refund as well as the property tax refund (and the nontaxability of the rental refund on Oregon Form 70R). Pub. 17, pg. 82.

QUIZ: SESSION V: Itemized Deductions (Medical, Taxes, Int.)

1. Circle the letter in front of the deductible insurance premiums:

   A. life insurance
   B. group medical
   C. group life
   D. automobile medical (standard)
   E. none of the above

2. Circle the letter in front of the deductible insurance premiums:

   A. Medicare A (Basic)
   B. Medicare B (Suppl)
   C. long-term disability
   D. wage continuation
   E. fire and smoke damage

3. Circle the letter in front of the deductible insurance premiums:

   A. Policies that provide only for the reimbursement of the cost of prescription drugs
   B. medical care portion of school tuition
   C. policies that provide for the replacement of lost or damaged contact lenses
   D. Blue Cross hospitalization
   E. all of the above

4. Circle the letter in front of the deductible medical and dental expenses:

   A. Jane had her teeth straightened before the wedding. Taxpayer (husband) paid the bill after they were married.
   B. Taxpayer paid his dependent sister's medical insurance premiums and wants to include them with his own.
   C. Taxpayer's son is not a student, is over 21, and earned $3500 which he put into savings. Taxpayer paid her son's medical bill and also furnished more than half of his support.
   D. none of the above
   E. all of the above

5. Circle the letter in front of the deductible medical and dental expenses.
   A. Taxpayer provides 10% of his mother's support under a Multiple Support Agreement. He will claim only 10% of her medical expenses.
   B. Mary L. and taxpayer were divorced in April. She became ill in June and taxpayer paid the bill because taxpayer knew Mary had so little money.
   C. Joe Taxpayer's mother's medical bill was $420 and he paid it. She received $1050 in gross rents so he cannot claim her exemption. Otherwise she would qualify as his dependent.
   D. Taxpayer's married daughter (with no income) filed a joint return with her husband in order to get a refund of withholding. However, taxpayer paid her doctor bills and furnished more than half of her support.
   E. C and D only.

6. Circle the letter in front of the deductible medicines and drugs:

   A. antibiotics
   B. toothpaste (fluoride)
   C. food supplements
   D. toiletries
   E. none of the above

7. Circle the letter in front of the deductible medicines and drugs:

   A. vitamins
   B. cosmetic preparations
   C. birth control pills
   D. iron tablets prescribed by doctor
   E. C and D only

8. Circle the letter in front of the deductible medicines and drugs:

   A. purified drinking water
   B. patent medicines (Maalox, etc.)
   C. hair spray
   D. shaving cream
   E. none of the above

9. Circle the letter in front of allowable medical expenses:

   A. physical therapy
   B. cost of a weight loss program advised by your doctor
   C. sanitary diaper service
   D. contact lens insurance
   E. A and D only

10. Circle the letter in front of allowable medical expenses:

A. expenses for domestic help
B. meals and lodging enroute to a place of medical treatment
C. vaporizer for an asthmatic.
D. meals and lodging on a trip recommended by doctor
E. all expenses, without regard to the 3% limitation, if over 65

11. Circle the letter in front of allowable medical expenses:

A. urologist's services
B. long distance telephone expense to call doctor
C. diagnostician's services
D. 9 cents a mile to pick up a prescription
E. all of the above

12. Circle the letter in front of allowable medical expenses:

A. mortician's services
B. no more than one-half of the medical premiums paid
C. cost of a gravestone, if reasonable.
D. medical clinics, even though there are less than four doctors on the staff
E. none of the above

13. Your adjusted gross income is $10,000. You paid the following:

$2,000	doctor and hospital bills
500	medicine and drugs
100	medical insurance

You were reimbursed from medical insurance as follows:

$1,000	doctor and hospital bills
300	medicine and drugs

What is your medical expense deduction?

A. $800
B. 900
C. $1,300
D. 2,300
E. none of these

14. Your AGI is $32,000. Your medical bills paid were:

$ 115	medicine and drugs
76	Dr. Uppers
12	hearing aid batteries
$310	Blue Cross
143	Dr. Downers

What is your medical expense deduction?

A. $145
B. 150
C. $155
D. 210
E. $260
F. none of these

15. On Dr. Cardiology's advice, Mr. Angina installed an elevator in his home. The elevator cost $1,000 and increased the value of the home by $700. What, if any, is the medical deduction?

A. $1,000
B. 700
C. $670
D. 300
E. 50% depreciation
F. no deduction

16. If a medical deduction is taken in 1980 and reimbursement for that expense is received in 1981, the taxpayer should:

A. go back and amend the 1980 return
B. ignore it since it was received in a later year
C. include the reimbursement in gross income in the year received to the extent of the deduction or tax benefit received
D. send the reimbursement to IRS with a letter requesting the credit
E. subtract the amount from the current year's deductions

17. Your AGI is $6,000. Paid medical expenses were:

Blue Cross	$280
doctor	450
hospital	170
prescriptions	87

What is your medical deduction?

A. $150
B. 615
C. 755
D. $795
E. none of these

18. Circle the letter in front of the taxes allowed as deductions on a federal return:

A. state income
B. state inheritance
C. federal excise
D. transfer tax on sale of personal residence
E. state sales tax on large appliances (in addition to optional tables)

19. Circle the letter in front of the taxes allowed as deductions on a federal return:

A. state personal property
B. local personal property
C. stock transfer
D. general sales
E. all of the above
F. A and D only

20. Circle the letter in front of the taxes allowed as deductions on a federal return:

A. customs duties
B. alcoholic beverage tax on a gift for dependent
C. Ad valorem
D. state gift tax
E. none of the above
F. all of the above

21. Circle the letter in front of the taxes allowed as deductions on a federal return:

A. foreign real estate
B. state transfer taxes on security sales
C. sales tax on boat
D. city income tax
E. all of the above
F. none of the above

22. Circle the letter in front of the taxes allowed as deductions on a federal return:
A. real estate tax on home owned by dependent
B. cigarette tax
C. California SDI
D. water bill
E. Social Security
F. none of the above

23. Circle the letter in front of the interest deductions allowed on a federal return:

A. finance charges added to your monthly credit card statements.
B. unstated interest
C. interest on margin accounts of the usual type
D. loan origination fees paid by a buyer of a personal residence
E. all of the above.

24. Circle the letter in front of the interest deductions allowed on a federal return:

A. penalty for underestimating federal tax
B. late-payment charge assessed by the electric company
C. points paid by the seller
D. points paid for an FHA guaranteed loan
E. prepaid interest if not allocable to more than two years ahead

25. Circle the letter in front of the interest deductions allowed on a federal return:

A. interest you pay on a note co-signed with your dependent child
B. credit investigation fee charged to customer's account under a bank's credit card plan
C. interest on a personal loan to buy tax-exempt bonds
D. loan fees
E. interest paid on a home owned by parents of the taxpayer

26. A taxpayer who itemized her deductions in the prior year overpaid her state income taxes by $400. How would her refund from the state be treated for federal income tax purposes in the current year?

A. include half of the $400 because her tax rate was 50%
B. exclude the entire amount
C. include the entire amount in gross income, to the extent benefit was received
D. as a reduction to itemized deductions in the current year
E none of the above

27. A mortgage prepayment penalty is generally deductible as interest.
True_____ False_____

28. the limitations on the deduction of interest relative to investment indebtedness applies to individuals.
True_____ False_____

29. Both cash and accrual basis taxpayers may deduct property taxes only in the year paid.
True_____ False_____

KEY TO PROBLEMS: Session V

1. C

2. A

3. D ($125 + 114 - 103 + 212 + 650 + 32 - 310 + 125 = $845

4. $250 - 180 + 69 + 590 + 750 - 771 - 540 + 69 = $237

5. $90 + 48 + 55 x 1/2 = $97

6.

State and local income	$ 714
real estate	526
general sales tax	355
personal property	12
	$1,607

7. $150

8. False

9. D

10. a. No. Except for medical insurance premiums, you may deduct only those unreimbursed medical expenses you paid that exceed 3% of your adjusted gross income. In addition, medical expenses are deductible only if you itemize your deductions. You may deduct half of your medical insurance premiums up to $150 without regard to the 3% limitation. The balance is deductible, but it is subject to the 3% rule. You may include payments for medicines and drugs in your medical expenses only to the extent they exceed 1% of your adjusted gross income. This excess is then subject to the 3% limitation.

    b. Yes. If you itemize deductions, payments for travel costs to get medical care are deductible. You may deduct either the amount paid for gas, oil, parking fees, etc., but not depreciation or insurance, or a standard mileage rate of 9 cents for each mile you use your car for medical purposes. When using the standard mileage rate, you may deduct parking fees and tolls in addition to the 9 cents per mile. Amounts paid for bus, taxi, or plane fares, as well as for ambulance hire, also are deductible.
    Remember, you may deduct only those medical expenses that exceed 3% of your adjusted gross income.

    c. Yes. You may include medical insurance premiums you paid as well as other expenses for her medical and dental care.

    d. Yes. If you furnished more than half the support of your son, and he would qualify as your dependent except for the fact that he had income of $1,000 or more.

e. No, because you did not supply over 50% of your son's support and you are not entitled to claim him as a dependent. You can include the medical payments in figuring your total support of your son, but by adding the $800 to the $15 weekly, your support totals only $1,580 for the year. Since your son used all his earnings of $1,800 for his own support, you have not provided over 50% of his support, and cannot take the medical expenses as a deduction.
You may include the cost of medical care paid for a dependent, or a person whom you could claim as a dependent, except for the fact that the person had gross income of $1,000 or more, or filed a joint return.

f. If the air conditioner is a permanent improvement that increases the value of the home, the cost will be allowed as a medical expense only to the extent it exceeds the increase in the value of the home.

g. More than 3% of $42,000, ($1,260).

h. Yes. In this case, laetrile was bought legally. It qualifies for the deduction under medicine and drugs.

11. a. Income tax
    b. Real property tax
    c. Personal property tax
    d. General sales tax

12. b, d and g are deductible

13. If your records show that you paid more sales tax than the amount shown in the table, you may deduct the larger amount.
In addition, if you use the table, you may add to the table amount only the sales tax paid on the following: a car, motorcycle, motor home, or truck (except in Vermont or West Virginia, where you may deduct only the amount you would have paid at the general sales tax rate), or a boat, plane, home (including mobile or prefabricated), or materials to build a new home, if the tax rate was the same as the general sales tax rate, and your sales receipt or contract shown how much tax you paid.

14. Ed must include the full $600 refund in his gross income for 1981.

	Tax Table Income for 1980		Tax Table Income for 1980 without deduction for st. income tax	
Adj. gross income		$4100		$4100
Itemized deductions	$3100		$2500	
Zero bracket amount	(2300)		(2300)	
Excess itemized ded.		(800)		(200)
Tax table income		$3300		$3900
St. inc. tx ded. - 1980				$ 600
Tax Table inc. for 1980 w/o ded. for st. inc.tx			$3900	
Tax Table inc. for 1980			(3300)	
Tax benefit (amount of state income tax ded. that resulted in a reduction of 1980 tax)				($ 600)
Recovery exclusion				$ -0-

15. State Tax	$274
Real Estate Tax	305
General Sales Tax	41
	$620

16. State Tax	$ 613
Real Estate Tax	560
General Sales Tax	124
Sales Tax - New Car	275
	$1572

17. $460 + 65 + 18 = $543

18. Josephine may not deduct any part of the interest paid before Mildred defaulted. She can deduct the interest accrued after she became unconditionally liable for the loan.

$2500 + 80 = $2580

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0)

SITUATION: SESSION V

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): JOE B. + CLARA A.
Last name: TYLER
Your social security number: 001 01 0011
Present home address (Number and street, including apartment number, or rural route): 427 ELM ST
Spouse's social security no.: 100 10 1100
City, town or post office, State and ZIP code: SALEM, OR. 97301
Your occupation ▶ BUS DRIVER
Spouse's occupation ▶ HOUSEWIFE

Presidential Election Campaign
▶ Do you want $1 to go to this fund? ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☒ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status
Check only one box.
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.
6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☒ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 2
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
e Total number of exemptions claimed — Add numbers entered in boxes above ▶ 2

Income
Please attach Copy B of your Forms W-2 here.
If you do not have a W-2, see page 5 of Instructions.
Please attach check or money order here.

7 Wages, salaries, tips, etc.			7	18,600
8a Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	938		
b Dividends (attach Schedule B if over $400)	8b	194		
c Total. Add lines 8a and 8b	8c	1132		
d Exclusion (See page 9 of Instructions)	8d	400		
e Subtract line 8d from line 8c (but not less than zero)			8e	732
9 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	
10 Alimony received			10	
11 Business income or (loss) (attach Schedule C) ▶			11	
12 Capital gain or (loss) (attach Schedule D)			12	
13 40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14 Supplemental gains or (losses) (attach Form 4797)			14	
15 Fully taxable pensions and annuities not reported on line 16			15	
16a Other pensions and annuities. Total received	16a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18 Farm income or (loss) (attach Schedule F) ▶			18	
19a Unemployment compensation (insurance). Total received	19a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20 Other income (state nature and source—see page 11 of Instructions) ▶ JURY DUTY			20	80
21 Total income. Add amounts in column for lines 7 through 20 ▶			21	19412

Adjustments to Income
(See instructions on page 11)

22 Moving expense (attach Form 3903 or 3903F)	22			
23 Employee business expenses (attach Form 2106)	23			
24 Payments to an IRA (enter code from page 11 ......)	24			
25 Payments to a Keogh (H.R. 10) retirement plan	25			
26 Interest penalty on early withdrawal of savings	26			
27 Alimony paid	27			
28 Disability income exclusion (attach Form 2440)	28			
29 Other adjustments—see page 12 ▶	29			
30 Total adjustments. Add lines 22 through 29 ▶			30	

Adjusted Gross Income

31 Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	19412

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14

Tax Computation (See Instructions on page 12)	32a	Amount from line 31 *(adjusted gross income)*			32a	19412	
	32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41			32b	1442	
		Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*					
	32c	Subtract line 32b from line 32a			32c	17970	
	33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e			33	2000	
	34	Taxable Income. Subtract line 33 from line 32c			34	15970	
	35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726			35	2232	
	36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax			36		
	37	**Total.** Add lines 35 and 36 ▶			37	2232	
Credits (See Instructions on page 13)	38	Credit for contributions to candidates for public office	38				
	39	Credit for the elderly *(attach Schedules R&RP)*	39				
	40	Credit for child and dependent care expenses *(attach Form 2441)*	40				
	41	Investment credit *(attach Form 3468)*	41				
	42	Foreign tax credit *(attach Form 1116)*	42				
	43	Work incentive (WIN) credit *(attach Form 4874)*	43				
	44	Jobs credit *(attach Form 5884)*	44				
	45	Residential energy credit *(attach Form 5695)*	45				
	46	**Total credits.** Add lines 38 through 45			46		
	47	**Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	2232	
Other Taxes (Including Advance EIC Payments)	48	Self-employment tax *(attach Schedule SE)*			48		
	49a	Minimum tax. Attach Form 4625 and check here ▶ ☐			49a		
	49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐			49b		
	50	Tax from recomputing prior-year investment credit *(attach Form 4255)*			50		
	51a	Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*			51a		
	51b	Uncollected employee FICA and RRTA tax on tips *(from Form W–2)*			51b		
	52	Tax on an IRA *(attach Form 5329)*			52		
	53	Advance earned income credit (EIC) payments received *(from Form W–2)*			53		
06	54	**Total tax.** Add lines 47 through 53 ▶			54	2232	
Payments Attach Forms W–2, W–2G, and W–2P to front.	55	Total Federal income tax withheld	55	2418			
	56	1981 estimated tax payments and amount applied from 1980 return	56				
	57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57				
	58	Amount paid with Form 4868	58				
	59	Excess FICA and RRTA tax withheld (two or more employers)	59				
	60	Credit for Federal tax on special fuels and oils (attach Form 4136 or 4136–T)	60				
	61	Regulated Investment Company credit (attach Form 2439)	61				
	62	**Total.** Add lines 55 through 61 ▶			62	2418	
Refund or Balance Due	63	If line 62 is larger than line 54, enter amount **OVERPAID** ▶			63	186	
	64	Amount of line 63 to be **REFUNDED TO YOU** ▶			64	186	00
	65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65				
	66	If line 54 is larger than line 62, enter **BALANCE DUE**. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 18 of Instructions.) ▶ $			66		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Date

Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature	Date	Check if self-employed ▶ ☐	Preparer's social security no.	xxx xx xxxx
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶		
		ZIP code ▶		

15

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: Joe B. + Clara A. Tyler

Your social security number: 001 01 0011

Medical and Dental Expenses

(Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		125
2 Medicine and drugs	200	
3 Enter 1% of Form 1040, line 31	194	
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		6
5 Balance of insurance premiums for medical care not entered on line 1		125
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc.		996
b Hospitals		140
c Transportation		74
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
Glasses		250
7 Total (add lines 4 through 6d)		1591
8 Enter 3% of Form 1040, line 31		582
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero		1009
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 ▶		1134

Taxes

(See page 18 of Instructions.)

11 State and local income 1116 + 86	1202
12 Real estate	600
13 a General sales (see sales tax tables)	
b General sales on motor vehicles	
14 Personal property	
15 Other (itemize) ▶	
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶	1802

Interest Expense

(See page 18 of Instructions.)

17 Home mortgage	1600
18 Credit and charge cards	106
19 Other (itemize) ▶	
GEM Auto Loan	200
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	1906

Contributions

(See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)	
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶	
22 Other than cash (see page 19 of Instructions for required statement)	
23 Carryover from prior years	
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	

Casualty or Theft Loss(es)

(You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)

25 Loss before reimbursement	
26 Insurance or other reimbursement you received or expect to receive	
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero	
28 Enter $100 or amount from line 27, whichever is smaller	
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶	

Miscellaneous Deductions

(See page 19 of Instructions.)

30 a Union dues	
b Tax return preparation fee	
31 Other (itemize) ▶	
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶	

Summary of Itemized Deductions

A

(See page 20 of Instructions.)

33 Total medical and dental—from line 10	1134
34 Total taxes—from line 16	1802
35 Total interest—from line 20	1906
36 Total contributions—from line 24	
37 Total casualty or theft loss(es)—from line 29	
38 Total miscellaneous—from line 32	
39 Add lines 33 through 38	4842
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 1 or 4, enter $2,300 3, enter $1,700	3400
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the instructions for line 41 on page 20.) ▶	1442

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

16

Schedules A&B (Form 1040) 1981

Schedule B—Interest and Dividend Income

OMB No. 1545-0074 Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side): JOE B. + CLARA A. TYLER

Your social security number: 001 01 0011

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	
5th STATE BANK	868
BI-MET CREDIT UNION	70
1b Total. Add above amounts	938

1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.

1d Total	
1e Exclusion (See page 20 of Instructions) . .	
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d.*	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	938

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount
3 XYZ CORP.	44
ABC CORP.	150
4 Total. Add above amounts	194
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below . . .	
6 Nontaxable distributions (See Instructions for adjustment to basis)	
7 Total (add lines 5 and 6)	
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	194

B

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? . . . . If "Yes," you may have to file Forms 3520, 3520-A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

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17

KEY TO QUIZ: SESSION V

1. B
2. B
3. E
4. E
5. E
6. A
7. E
8. B
9. E (Teacher Hint: "Advice" vs. prescribed for special illness)
10. C
11. E
12. D
13. B
14. B
15. D
16. C
17. E ($747)
18. A
19. E
20. C
21. E
22. C
23. E
24. B
25. A (Teacher Hint: Explain difference between 23D and 25D)
26. C
27. True
28. True
29. False

SESSION VI
ITEMIZED DEDUCTIONS
Contributions, Casualty and Theft Losses, Educational and Miscellaneous Deductions

Reading Assignment:	Publication 17, Ch. 22,23,24,25 1040 Pamphlet, pages 17-20, 12 & 13	
Forms Required for Class Handouts:	Form 1040	(1)
	Form 4684	(5)
	Form 2106	(1)
	Schedule A/B	(2)

I. Review

- A. Review quiz taken in previous session,
- B. Review assignment not covered in last session.
- C. Answer all questions students have at this time before going into new material.

II. Introduction of New Material

III. Teaching Hints:

- A. Contributions
- B. Casualty or Theft Losses
- C. Educational Expenses
- D. Miscellaneous Deductions
- E. Vocabulary (Student Workbook)
- F. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Quiz

III. Resources for Teacher:

- A. IRS Pub. 508, 526, 529, 544, 547, 561, 587
- B. Keys to Problems and Quiz

II. INTRODUCTION TO NEW MATERIAL

A. Contributions:

1. Gifts of money or property (with limitations) to qualified domestic organizations
    a. Cover the 5 types of organizations that qualify
2. Taxpayer must be able to furnish substantiation for contribution.
3. Contribution must be paid during the tax year
4. Discuss non-deductible contributions
5. Limitations:
    a. 50% limit applies to:
        1) Public charities
        2) Private operating foundations (that spend at least 85% of income directly for tax exempt purposes).
        3) Others
        4) Carryover limitation is aggregate of 50% of AGI
    b. 20% limit applies to:
        1) Private non-operating foundations and others that do not qualify for 50% limitations, e.g., non-profit cemeteries, veterans organizations, etc.
        2) Contributions for charitable organization's use; e.g., gifts of income from property made in trust.
        3) 20%-type contributions may not be carried over.
    c. 30% limit applies to:
        1) Donated capital gain property that does not have to be reduced by the 40% of appreciation (see Gifts of Capital Gain Property in Pubs. 526 and 544) because the three limiting instances do not apply. Full FMV is deductible and excess over 30% of AGI may be carried forward.
        2) 30%-type contributions may be carried over
    d. Computation of deduction with limitations.
        1) Consider gifts that qualify for 50% limitation
        2) Consider gifts that qualify for 20% limitation, but only to the extent of the lesser of:
            a) 20% of the AGI; or
            b) 50% of AGI less the contributions which qualify for the 50% limitation, without regard to the special 30% limitation.

- 3) Consider gifts that qualify for the special 30% limitations.
- e. Carryover to next 5 years of amounts over 50% or 30% limitations. Teach formula.
- f. Out-of-pocket expenses (9 cents/ml rate)

- B. Casualty or Theft Losses
  - 1. Definitions:
    - a. Casualty: A "sudden" or "unexpected" event.
    - b. Theft
  - 2. $100 limitation
    - a. Personal
    - b. Business
  - 3. Computation of Loss:
    - a. Decrease in FMV
      - 1) Explain how replacement property, repairs or cleaning up expenses may be used to measure the decrease in fair market value.
    - b. Adjusted basis of property before and after casualty (Define adjusted basis)
    - c. Amount of insurance reimbursement
    - d. Limitation
  - 4. Net operating loss possibility
  - 5. When to deduct a loss
    - a. Insurance must be claimed if entitled to reimbursement.
    - b. Can deduct loss and adjust up or down in subsequent years if reimbursement received
  - 6. Proof of loss
    - a. Cover 7 types of proof taxpayer must be prepared to show
  - 7. Some causes of deductible losses:
    - a. earthquake
    - b. fire
    - c. blasting
    - d. robbery
    - e. storm
    - f. shipwreck
    - g. riots
    - h. water pipes bursting
    - i. hurricane
    - j. auto collison (may be caused by faulty driving of either driver, but not if caused by willful act or willful negligence of taxpayer) damages to taxpayers auto only.
    - o. vandalism caused by agencies beyond taxpayer's control; must be sudden and unexpected.
    - p. damage of ornamental trees and shrubs if decrease in value of real estate results.
    - q. embezzlement
    - r. larceny
    - s. explosion
    - t. airplane crash
    - u. hail
    - v. snow
    - w. forgery

k. mine cave-in
l. lightning
m. sonic boom
n. flood

exterior house paint from a severe, sudden, and unexpected concentration of chemical fumes.
y. amount paid to lessor for damage to leased property if sudden and unexpected
z. theft

8. Some losses not deductible:
   a. clothing damaged by moths
   b. damage to residence by excavation on nearby property
   c. reduction in FMV
   d. transfer of property by gift or death
   e. family sales
   f. exchange losses
   g. ring lost down the drain
   h. surrender of insurance policy
   i. misplaced articles
   j. erosion
   k. breaking of china or glassware through handling or by family pet
   l. loss of trees through disease
   m. termite damage
   n. reduction in value of property because of a disaster nearby
   o. water pipes rusting
   p. disappearance of money or property from person or home
   q. towing or repairing other driver's car
   r. personal negligence
   s. expenses incident to casualty (personal injuries, temporary lights, etc.)
   t. loss of future profits
   u. property with zero basis (See Session X)

C. Educational Expenses
   1. Required by employer
   2. Taken to maintain or improve skills in present employment
      a. Can be correspondence course
      b. Can include tuition, books, supplies, lab fees. Travel and transportation expense may be deducted on Form 2106 as an adjustment to income (see Session IV)
      c. Qualifying tests to deduct ordinary and necessary expenses:
         1) Has taxpayer already met the minimum educational requirements for the job?

Example: You are a bookkeeper and you take a course to learn the operation of a calculator.

2) Will the education maintain or improve the skills required in your work, or is it required of you to keep your salary or employment? Example: You are a lawyer and the head of the firm requires that you take a course in Trade Regulations in order to keep up with the latest developments.

3) Is it directly related to your job? Example: You are licensed as a tax preparer and taking continuing education courses to maintain your license.

4) Travel and transportation expenses are an adjustment to income. Other educational expenses are miscellaneous deductions on Schedule A.

5) Cannot prepare you for a new trade or profession. If minimum requirement for a new trade (even if in related business), will not qualify: Example: Real estate salesman taking courses in real estate that will qualify him to become real estate broker.

D. Miscellaneous Deductions, unreimbursed

In general, the expenditures deductible in this section are related to taxable income and must be Ordinary and Necessary and Reasonable. They include those allowable employee expenses shown on Form 2106 (see Session IV) which are not taken as an adjustment in arriving at adjusted gross income. Example: You take a course of study to improve your skills in your work. The travel and transportation costs are deducted on line 23, form 1040 as an adjustment: the cost of tuition, books, lab fees, etc., is deducted on line 31, Schedule A.

1. Income-Producing
    a. For the production or collection of income
        1) Distributive share of operating expenses of investment club.
        2) Fees paid to broker, bank agent, to collect interest or dividends
        3) Legal expenses necessary to produce taxable income. Examples: Litigating to keep your job; attorney to collect taxable alimony.
        4) Gambling losses only to the extent of winnings. Must be properly

substantiated by an accurate diary supplemented by verifiable documents.

5) Job seeking. See below

b. For the management of property held for the production of income.

1) Clerical help and office rent costs incurred in caring for investments.

2) Custodian fees for services to subscribers

3) Safe deposit box rent to store income-producing papers.

c. In connection with the determination, collection or refund of any tax.

1) Investment counseling fees

2) Tax preparation fees

3) Appraisal fees to determine casualty loss or FMV for contribution

4) Instruction books for filing tax returns

5) Expenses relating to audit or appeal

2. Employee expenses: (Also see Session IV and Form 2106)

a. Union expenses

1) Dues

2) Initiation fees

3) Old age pension fund assessments

4) Assessments for benefits or payments to unemployed union members, but not for sickness, accident, or death.

b. Seeking new employment in the same trade or business, even if temporarily unemployed. (will not qualify for first job)

1) Employment agency fees (unreimbursed).

2) Typing, printing, mailing resumes

3) Mileage and travel expenses are a tax adjustment (2106) not a miscellaneous deduction

c. Deductible work clothes. Special apparel or equipment required by employer, not adaptable to general use; protective clothing. Some examples:

1) Professional athletes

2) Civilian faculty member of a military school

3) Transportation employees, police force, guards, ushers, musicians, entertainers, mailperson, nurses, Armed Forces reservists.

4) Full-time active duty members of the Armed Forces, but only if regulations do not allow the uniform to be worn while off duty, and only the cost above allowances received.

5) Insignia, shoulder boards and related

        items but not the uniforms of armed services academy students.
        6) Protective clothing such as safety shoes, hard hats, work gloves, etc., but not painter's clothing, or work clothes worn solely at the request of the employer.
    d. Other employee expenses
        1) Small tools
        2) Lab breakage fees
        3) Dues to professional societies or business associations.
        4) Mal-practice insurance premiums
        5) Periodic physical exams required
        6) Occupational taxes
        7) Professional expenses, e.g., magazine and journal subscriptions
        8) Liquidated damages paid to a former employer for breach of employment contract.
        9) In very RARE cases, the proportiate expenses for the use of your home for business. (See Pub. 587 Business Use of Your Home.)
            a. Must be used regularly and exclusively, must be in connection with taxpayer trade or business and if employee, must be required by employer.
        10) Bond premiums, if required to post surety bonds and pay premiums
        11) Depreciable tools used in a trade, e.g., employee auto mechanic purchases air hammer for use on his job. (investment credit also available)
        12) Repair of watch required for job: nurses, doctors, railroad workers
        13) Out-of-pocket expenses of Civilian Defense Workers.
        14) Technical manuals and professional books.

3. Adoption expenses
4. Some non-deductible expenses:
    a. Repayment of a debt
    b. Lost or misplaced cash or property
    c. Bar exam and other initial licensing fees. (Renewal is deductible.)
    d. Hobby expenses in excess of income from the hobby.
    e. Marriage license fees
    f. Fishing and hunting licenses
    g. Improvements and other capital expenditures
    h. Personal insurance
    i. Support payments

j. Expenses incurred in the production of tax-exempt income
k. Gambling losses in excess of winnings
l. Home insurance
m. Dog tags
n. Driver's license
o. Interest on a debt to buy or carry a single-premium life insurance
p. Bribes or illegal payments
q. Rent on personal residence
r. Repairs to personal residence
s. Auto inspection fees
t. Fuel adjustment charges
u. Life insurance premiums
v. Fines, tax penalties, collateral, penalties from illegal strikes
w. Payments to influence general public in law, elections, referendums (note: Oregon differs)
x. Loss from sale of home, furniture, personal auto, etc.
y. Preparation of will
z. Property settlement in divorce
aa. Defense of breach of promise suit
bb. Self-improvement
cc. Expenses attending stockholder's meetings.

QUIZ: Session VI; Itemized Deductions (Contributions, Casualty, Educational and Miscellaneous)

1. Circle the letter in front of deductible contributions and/or qualified organizations:

   A. Campfire Girl's uniform for daughter
   B. FMV of furniture donated to qualified organization
   C. FMV of blood donated to Red Cross
   D. Cost of a raffle ticket bought from a qualified charitable foundation
   E. Scholarship for a specific unrelated A or B+ student

2. Circle the letter in front of deductible contributions and/or qualified organizations:

   A. Tuition at a parochial (qualified) school
   B. Donation to Chamber of Commerce in the city where you work
   C. FMV of slightly used dresses to widowed neighbor
   D. FMV of property other than cash to a qualified organization

3. Circle the letter in front of deductible contributions and/or qualified organizations:

   A. FMV of a prize you donate for a benefit auction
   B. VFW Auxiliary (receipted)
   C. Travel, meals, lodging to attend a church convention as a chosen delegate
   D. Cash to Lions Club to buy seeing-eye dog
   E. All of the above

4. Circle the letter in front of deductible contributions and/or qualified organizations:

   A. $3 for each hour you spend translating textbooks into braille
   B. Any amount quoted by a qualified appraiser as long as you pay the appraisal fee
   C. Contributions to a U.S. organization that transfers funds to a charitable foreign organization, in some circumstances
   D. Losses exceeding winnings at church bingo
   E. Donation to lobby for better school administration

5. Donations to private non-operating foundations may be deducted up to __________ percent of AGI?

   A. 50%
   B. 30%
   C. 20%

6. Circle the correct letter: A volunteer area coordinator for a charity fund drive may claim as auto expenses:

A. 20 cents a mile but no insurance or depreciation
B. 11 cents a mile plus parking fees and tolls
C. 9 cents a mile plus repairs and maintenance
D. Actual expenses plus tire and battery
E. None of the above

7. Circle the letter in front of the correct answer: Judd and Dolly Hart contribute $7,500 in capital gain property (no tangible personal property) to their church. Their AGI is $25,000. They may claim:

A. $7,600
B. $7,500
C. $12,500
D. $5,000
E. None of these

8. Circle the letter in front of the correct answer: Qualified excess contributions may be carried:

A. Forward no more than two years beyond the current tax year
B. Back two years and forward three
C. Forward four years beyond the current tax year
D. Forward five years subject to the AGI of each of those years
E. Forward until used up
F. Forward only if more than $1,000

9. August and April March whose AGI was $10,000, made a contribution to their church in the amount of $6,000. This was their only contribution. What will be their deductions?

A. $1,000 in this year and each of the following five years
B. $2,000 this year, $2,000 next year, $2,000 the following year
C. $3,000 this year, $3,000 next year if their AGI is the same.
D. $5,000 this year, $1,000 next year if AGI is at least $2,000
E. $6,000 this year because AGI is under $12,000
F. None of the above

10. When you have 20%, 30%, and 50% limitation gifts, in what order are they considered?

A. 20-30-50
B. 50-30-20
C. 30-50-20
D. 20-50-30
E. 50-20-30
F. 30-20-50
G. It doesn't matter
H. Last amount first
I. Smlst amnt first

11. Jerry Biltmore donated stock that he held for five months to the medical school for cancer research. The value of the stock is $2,500 but he paid only $1,500 for it. His deduction is:

    A. $1,000
    B. $1,500
    C. $2,000
    D. $2,500
    E. No deduction
    F. None of the above

12. You faithfully remember to invite the pastor, deacon or elder to play golf with you at least once a month. You may:

    A. Deduct your country club dues
    B. Deduct only their green fees
    C. Deduct all the costs, if reasonable, Viz. dues, green fees, cart or caddy, refreshments
    D. Deduct the expenses only if the wives are invited
    E. Not take a deduction

13. Circle the letters in front of deductible casualties or theft loss:

    A. Appraisal fee to determine casualty loss
    B. Loss of future profits to standing timber through growth rate reduction
    C. Theft of bonds without regard to the $100 limitation
    D. Cost of insurance for protection against future casualties

14. Circle the letter in front of deductible casualty or theft loss:

    A. Embezzlement
    B. Hurricane damage to pleasure yacht
    C. Unexpected damage from vandalism beyond your control
    D. Partial destruction of property due to a sudden identifiable event
    E. All of the above
    F. A and C only

15. Circle the letter in front of deductible casualty or theft loss:

    A. Cost of photographs for appraiser's report
    B. Larceny
    C. Dutch Elm disease in your trees
    D. Loss of your wallet at the beach
    E. Diamond lost out of its setting
    F. A and B only

16. There is a fire in your house that does $750 damage to your furniture and $400 damage to your houseguest's belongings. The correct deduction is:

A. $650 on your personal return and $300 on your guest's personal return
B. $950 on your tax return and you claim your guest's loss
C. $650 for you but nothing for your guest
D. Only the deduction is required, so you have to decide between you
E. None of the above

17. Thieves broke into your apartment and stole the ring you bought for $75, and a fur coat worth $250 which you borrowed from a friend to wear to a party. Your casualty loss deduction is:

A. $75 since the amount is less than $100
B. $150 ($250 less the $100 limitation)
C. $225 ($75 plus $250 less $100)
D. $350 ($250 plus $100 limitation)
E. -0-

18. Five years ago, you bought a lawnmower for $300. It was completely destroyed by a fire and you estimate that a replacement would cost $400. If there had been no fire and you had tried to sell the old lawnmower, you think you could have sold it for $85 since it was somewhat broken down. Your deduction is:

A. $85 (the FMV)
B. $100 (the limitation)
C. $100 (the difference between replacement and cost)
D. $300 (the cost)
E. $400 (cost of replacement)
F. -0-

19. Crazy Driver ran into a telephone pole. His auto cost him $4,500 originally and had a blue book value of $2,500 before the accident. After the accident Joe's Garage repaired the car for $1,500. Crazy chose not to report the accident to his insurance company he was afraid his premiums would go up. How much should he claim?

A. $2,500
B. $2,250
C. $1,750
D. $4,500
E. -0-

20. Educational expenses are allowed if:

A. They meet minimum educational requirements
B. They improve skills in your job
C. They qualify you for a new occupation
D. You take a refresher course after coming out of retirement
E. All of the above

21. Educational expenses could include:

A. Secretary to type paper for class
B. 20 cents a mile to class
C. Tuition
D. Lab fees and parking
E. All of the above

22. Circle the letter in front of allowable miscellaneous deductions:

A. Fee paid to broker for buying securities
B. Auto inspection fee
C. Malpractice insurance premiums
D. Repayment of a debt
E. Preparation of a will

23. Circle the letter in front of allowable miscellaneous deductions:

A. Initiation fees in a trade union
B. Small tools that do not need to be depreciated
C. Repair of nurse's watch
D. Cost of a book that shows how to prepare your tax return
E. All of the above

24. Circle the letter in front of allowable miscellaneous deductions:

A. Appraisal fee to determine FMV of charitable gift
B. Minor repairs to home
C. Capital expenditures
D. Expense incurred in the production of tax-exempt income
E. Transportation to and from work

25. Circle the letter in front of allowable miscellaneous deductions:

A. Whiskbroom for professional baseball umpire
B. Union old-age pension fund assessment
C. Lab breakage fees
D. Safe deposit box to store Series E bonds
E. All of the above

KEY TO EXERCISES: Session VI, Contributions, Casualty, Educational and Miscellaneous

1. D

2. D

3. B

4. E Jane Smith: $2,000 (1100 - 100 = 1,000)
(600 + 500 - 100 = $1,000)

5. Gerry Mander: $385 + 38 + 11 = $434

6. Woodie Miller: $214 + 6 + 45 = $265

7. Woodie Miller: Schedule A = 0
these expenses are deductible as a 2106 adjustment.

8. Louis Youngman: $16 + 110 = $126
(Charitable contribution: $9)

9. John Halsey: $69 + 48 + 120 + 30 = $267
(585 miles and 868 miles are 2106 expenses)

10. C

11. C

12. a, c, e, f, and h are deductible

13. No. Direct gifts to individuals are not deductible.

14. $50 a month for three months, or $150

15. Since the law requires that a contribution be paid during the taxable year, no part of the $500 pledge is deductible in 1981, Ms. Rose may deducted the $100 paid in 1981 on her 1982 return.

16. a. $150
    b. $12.50
    c. -0-

17. a. Not a casualty loss since element of suddenness is not present
    b. Casualty loss
    c. Not a casualty
    d. Casualty loss
    e. Casualty loss

18. No. Deduction is allowed only for losses of property belonging to the taxpayer

19. a. $200

	DAN	ANN
FMV before casualty	$ 95	$300
FMV after casualty	-0-	-0-
Loss	95	300
Limitation--personal casualty	100	100
Deduction	-0-	$200

b. $295

Combined loss	$395
Limitation	100
Deduction	$295

20. $1,900. On real property not used in a business, the loss is figured on the total decline of the

Value of property immediately before the casualty		$30,000
Less: Value of property immediately after casualty		28,000
Value of property actually destroyed		$ 2,000
Lesser: Value of property destroyed ($2,000) or adjusted basis ($20,000)		$ 2,000
Less: Insurance proceeds	$ 0	
Less: $100 limitation--personal	100	
		100
Deductible loss		$ 1,900

21. To determine the amount of the deduction for a casualty loss when more than one item of nonbusiness personal property is lost or damaged in a casualty, figure the decrease in the fair market value and the adjusted basis for each item separately, establish the deductible loss for each item, and then combine the separate losses.

	Cost	FMV	Casualty Loss
Living Rm Furniture	$3,000	$1,000	$1,000
Kitchen Appliances	800	400	400
Bedroom furniture	1,500	600	600
Men's clothing	1,000	300	300
Women's clothing	3,000	900	900
Oil paintings	300	4,000	300
Coin collection	200	1,500	200
Totals	9,800	8,700	3,700
Casualty Loss			$3,700
Less: $100 limitation--personal			100
Deductible loss			$3,600

22. a. Ms. Fir may not deduct the expenses since the education meets the minimum educational requirements for her present job. In addition the courses qualified her for a new trade or business.

b. The expenses are deductible, since the courses maintain and improve skills that Mr. Pine uses in his business.

c. The expenses are deductible, since the course meets the express requirements of Mr. Maple's employer.

d. The expenses are deductible, since changing jobs from elementary to secondary school teaching is not a new trade or business.

e. The expenses are not deductible, since the courses qualify him for a new trade or business.

23. Mr. Elder's work clothes and shoes do not meet the two tests required for a deduction. Even if it could be said that the clothing is required by the employer (although the union is not the employer, the clothing is required by his employment), the clothing is suitable for every day use. The fact that the clothing becomes so soiled that he would not wear it any other place is not a determining factor.

24. No. Though the den was used regularly, it was not used exclusively for business purposes.

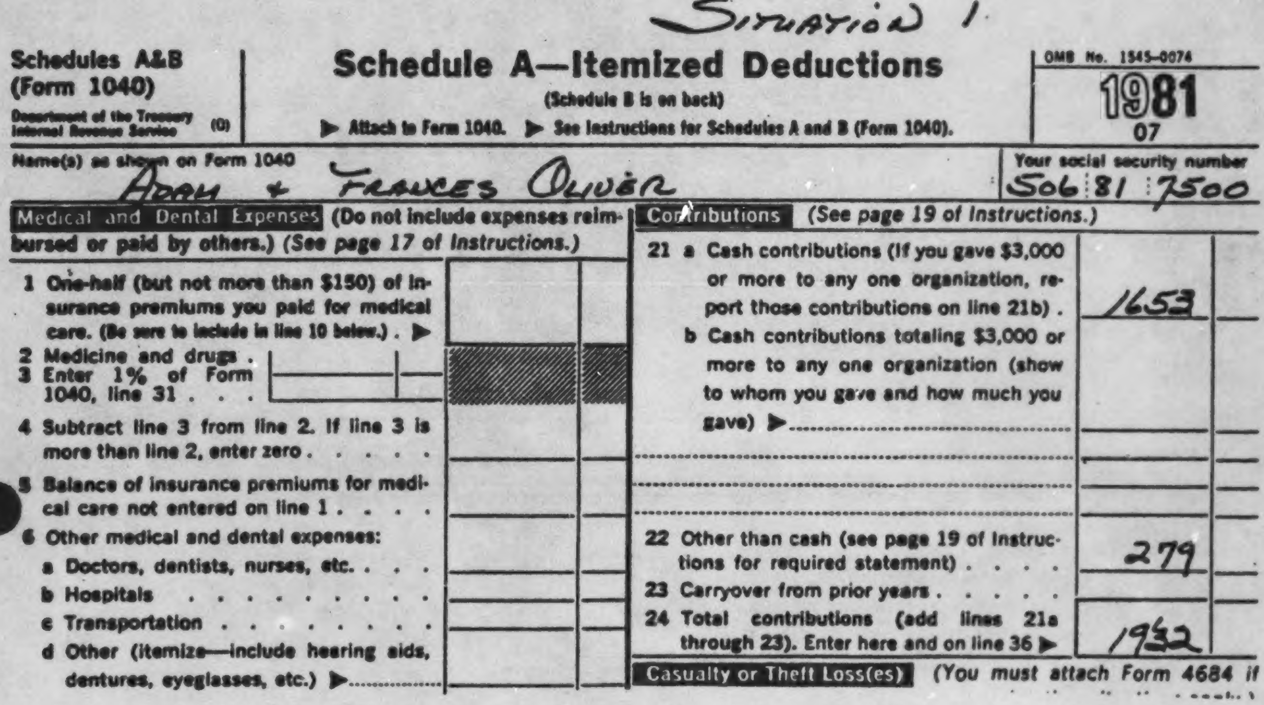
25.

Engineers' Guild dues	$ 90
Subscriptions	60
Protective clothing	45
Tax-related attorney's fees	125
Total	$320

The cost of the courses and resume are not deductible because they would qualify Louise for a different trade or business. The divorce-related lawyer's fees, life insurance premiums, and traffic fines are nondeductible personal expenses

KEY TO SITUATIONS: Session VI, Contributions, Casualty, Educational and Miscellaneous

1. Adam and Frances Oliver



Situation 1

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: Adam + Frances Oliver

Your social security number: 506 81 7500

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		
2 Medicine and drugs .		
3 Enter 1% of Form 1040, line 31 . . .		
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		
5 Balance of insurance premiums for medical care not entered on line 1		
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc. . . .		
b Hospitals		
c Transportation		
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		

Contributions (See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b) .	1653	
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶		
22 Other than cash (see page 19 of Instructions for required statement)	279	
23 Carryover from prior years		
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	1932	

Casualty or Theft Loss(es) (You must attach Form 4684 if

2. Russell and Peaches Davidson

Donations = $2,600 + 215 + 8 + 5 + 5		$2,833
Cap and clothing		89
SPCA Stock	(no election made)	200
		$3,122
Carryover previous year		322
		$3,444

3. Lindsay Carlin $4,000

Form **4684**
Department of the Treasury
Internal Revenue Service

Casualties and Thefts

▶ See instructions on back.
▶ To be filed with Form 1040, 1041, 1065, 1120, etc.

OMB No. 1545-0177
1981

Name(s) as shown on tax return: ZINNA FOBIA

SITUATION #4

Identifying Number

Part I Casualty or Theft Gain or Loss (Use a separate Part I for each different casualty or theft.)

	Item or article	Item or article	Item or article	Item or article
1 (a) Kind of property and description	HARP	ZITHER PLECTRUM		
(b) Date of purchase or acquisition				
2 Cost or basis of each item	3000	250		
3 Insurance or other reimbursement you received or expect to receive	1875	125		
4 Gain from casualty or theft. If line 3 is more than line 2, enter difference here and on line 15 or 20, column C. However, see instructions for line 19. Also, skip lines 5 through 14				
If line 2 is more than line 3, enter zero on line 4 and complete lines 5 through 14.				
5 Fair market value before casualty or theft	2500	225		
6 Fair market value after casualty or theft	0	50		
7 Subtract line 6 from line 5	2500	175		
8 Enter smaller of line 2 or line 7	2500	175		
Note: *If the loss was to property used in a trade or business or for income-producing purposes, and totally destroyed by a casualty or lost from theft, enter on line 8, in each column, the amount from line 2.*				
9 Subtract line 3 from line 8	625	50		

10 Casualty or theft loss. Add amounts on line 9	675
11 Enter the part of line 9 that is from trade, business, or income-producing property here and on line 15 or 20	
12 Subtract line 11 from line 10	675
13 Enter the amount from line 12 or $100, whichever is smaller	100
14 Subtract line 13 from line 12. Enter here and on line 15 or 20, column B(ii)	575

Part II Summary of Gains and Losses (From separate Parts I)

Situation 6 - TEACHER HINT:

Review the difference with the students between the shrubs, etc. on this problem being deductible at basis, rather than loss of fair market value. As opposed to this was their exercise problem #4 where the casualty deduction on the auto was allowed at $1,000 which was loss of fair market value but more than the cost of repairs. It was not, however, more than basis. Repairs are a guideline only when loss of fair market value is not otherwise available.

Form **4684**
Department of the Treasury
Internal Revenue Service

Casualties and Thefts #5

▶ See instructions on back.
▶ To be filed with Form 1040, 1041, 1065, 1120, etc.

1981

Name(s) as shown on tax return: TY KWANDO

Identifying Number

Part I Casualty or Theft

	Item or article	Item or article	Item or article SEPARATE	Item or article FORM 4684
1 Kind of property	MOVIE CAMERA		BOAT	TRAILER
2 Cost or basis	565		12000	1000
3 Insurance or other reimbursement			4750	160
4 Gain from casualty or theft. If line 3 is more than line 2, enter difference here and on line 15 or 20. Also, skip lines 5 through 14. *If line 2 is more than line 3, enter zero on line 4 and complete lines 5 through 14.*				
5 Fair market value of property before casualty or theft	295		9500	900
6 Fair market value of property after casualty or theft	0		3900	600
7 Subtract line 6 from line 5	295		5600	300
8 Enter smaller of line 2 or line 7 Note: *If the loss was to property used in a trade or business or for income-producing purposes and totally destroyed by a casualty or lost from theft, enter on line 8, in each column, the amount from line 2.*	295		5600	300
9 Subtract line 3 from line 8	295		850	140

10 Casualty or theft loss. Add amounts on line 9	295.	990
11 Enter the part of line 9 that is from trade, business, or income-producing property here and on line 15 or 20		
12 Subtract line 11 from line 10	295.	990
13 Enter the amount from line 12 or $100, whichever is smaller	100.	100
14 Subtract line 13 from line 12. Enter here and on line 15 or 20	195.	890

Part II Summary of Gains and Losses

(A) Identify casualty or theft	(B) Losses from casualties or thefts: (i) Trade, business, rental or royalty property	(B) Losses from casualties or thefts: (ii) Other property	(C) Gains from casualties or thefts includible in income
Casualty or Theft of Property Held One Year or Less			
15 MOVIE CAMERA		195	
16 Totals. Add amounts on line 15 for each column		195	
17 Combine line 16, columns (B)(i) and (C). Enter the net gain or (loss) here and on Form 4797, Part II, line 8. (If Form 4797 is not otherwise required, see instructions.)			
18 Enter amount from line 16, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			195
Casualty or Theft of Property Held More Than One Year			
19 Any casualty or theft gains from Form 4797, Part III, line 26			
20 BOAT + TRAILER		890	
21 Total losses. Add amounts on line 20, columns (B)(i) and (B)(ii)		890	▨
22 Total gains. Add lines 19 and 20, column (C)			
23 Add line 21, columns (B)(i) and (B)(ii)			890
24 If the loss on line 23 is more than the gain on line 22			
a. Combine line 21, column (B)(i) and line 22. Enter the net gain or (loss) here and on Form 4797, Part II, line 8. (If Form 4797 is not otherwise required, see instructions.)			
b. Enter amount from line 21, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			890
25 If the loss on line 23 is equal to or smaller than the gain on line 22, enter the net gain here and on Form 4797, Part I, line 2. (If Form 4797 is not otherwise required, see instructions.)			

Form 4684 (1980)

FORM 4684 REQUIRED FOR EACH CASUALTY
SUMMARIZE ON ONE OF THEM.

Form **4684**
Department of the Treasury
Internal Revenue Service

Casualties and Thefts #6

▶ See instructions on back.
▶ To be filed with Form 1040, 1041, 1065, 1120, etc.

1981

Name(s) as shown on tax return: PHIL IFFIC

Identifying Number:

Part I Casualty or Theft

	Item or article	Item or article	Item or article	SECOND FORM 4684 Item or article
1 Kind of property	STOCK CERTIFICATE			SHRUBS
2 Cost or basis	1150			110
3 Insurance or other reimbursement	850			0
4 Gain from casualty or theft. If line 3 is more than line 2, enter difference here and on line 15 or 20. Also, skip lines 5 through 14. *If line 2 is more than line 3, enter zero on line 4 and complete lines 5 through 14.*				
5 Fair market value of property before casualty or theft	1800			43500
6 Fair market value of property after casualty or theft	0			43000
7 Subtract line 6 from line 5	1800			500
8 Enter smaller of line 2 or line 7. Note: *If the loss was to property used in a trade or business or for income-producing purposes and totally destroyed by a casualty or lost from theft, enter on line 8, in each column, the amount from line 2.*	1150			110
9 Subtract line 3 from line 8	300			110

10 Casualty or theft loss. Add amounts on line 9	110	300
11 Enter the part of line 9 that is from trade, business, or income-producing property here and on line 15 or 20		300
12 Subtract line 11 from line 10	110	0
13 Enter the amount from line 12 or $100, whichever is smaller	100	
14 Subtract line 13 from line 12. Enter here and on line 15 or 20	10	

Part II Summary of Gains and Losses

(A) Identify casualty or theft	(B) Losses from casualties or thefts (i) Trade, business, rental or royalty property	(B) Losses from casualties or thefts (ii) Other property	(C) Gains from casualties or thefts includible in income
Casualty or Theft of Property Held One Year or Less			
15			
16 Totals. Add amounts on line 15 for each column			
17 Combine line 16, columns (B)(i) and (C). Enter the net gain or (loss) here and on Form 4797, Part II, line 8. (If Form 4797 is not otherwise required, see instructions.)			
18 Enter amount from line 16, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			
Casualty or Theft of Property Held More Than One Year			
19 Any casualty or theft gains from Form 4797, Part III, line 26			
20 STOCK CERTIFICATE	300		
SHRUBS		10	
21 Total losses. Add amounts on line 20, columns (B)(i) and (B)(ii)	300	10	▨
22 Total gains. Add lines 19 and 20, column (C)			
23 Add line 21, columns (B)(i) and (B)(ii)			310
24 If the loss on line 23 is more than the gain on line 22			
a. Combine line 21, column (B)(i) and line 22. Enter the net gain or (loss) here and on Form 4797, Part II, line 8. (If Form 4797 is not otherwise required, see instructions.)			300
b. Enter amount from line 21, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			10
25 If the loss on line 23 is equal to or smaller than the gain on line 22, enter the net gain here and on Form 4797, Part I, line 2. (If Form 4797 is not otherwise required, see instructions.)			

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0)

PROBLEM - SESSION VI

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial): IMA Last name: TAXPAYER	Your social security number: 321 54 9876
	Present home address (Number and street, including apartment number, or rural route): 124 N.E. TERRACE CT	Spouse's social security no.:
	City, town or post office, State and ZIP code: PORTLAND, OREGON 97222	Your occupation ▶ TEACHER Spouse's occupation ▶

Presidential Election Campaign
▶ Do you want $1 to go to this fund? . . . . ☐ Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? . . . ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status
Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☒ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶ JAMES
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 1
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
e Total number of exemptions claimed . . . . Add numbers entered in boxes above ▶ 1

Income
Please attach Copy B of your Forms W-2 here.
If you do not have a W-2, see page 5 of Instructions.
Please attach check or money order here.

7 Wages, salaries, tips, etc.		7	16,000
8a Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a 180		
b Dividends (attach Schedule B if over $400)	8b 50		
c Total. Add lines 8a and 8b	8c 230		
d Exclusion (See page 9 of Instructions)	8d 200		
e Subtract line 8d from line 8c (but not less than zero)		8e	30
9 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)		9	112
10 Alimony received		10	
11 Business income or (loss) (attach Schedule C) ▶		11	
12 Capital gain or (loss) (attach Schedule D)		12	
13 40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)		13	20
14 Supplemental gains or (losses) (attach Form 4797)		14	
15 Fully taxable pensions and annuities not reported on line 16		15	
16a Other pensions and annuities. Total received	16a		
b Taxable amount, if any, from worksheet on page 10 of Instructions		16b	
17 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)		17	
18 Farm income or (loss) (attach Schedule F) ▶		18	
19a Unemployment compensation (insurance). Total received	19a		
b Taxable amount, if any, from worksheet on page 10 of Instructions		19b	
20 Other income (state nature and source—see page 11 of Instructions) ▶		20	
21 Total income. Add amounts in column for lines 7 through 20 ▶		21	16,162

Adjustments to Income
(See Instructions on page 11)

22 Moving expense (attach Form 3903 or 3903F)	22		
23 Employee business expenses (attach Form 2106)	23		
24 Payments to an IRA (enter code from page 11 ....)	24		
25 Payments to a Keogh (H.R. 10) retirement plan	25		
26 Interest penalty on early withdrawal of savings	26		
27 Alimony paid	27		
28 Disability income exclusion (attach Form 2440)	28		
29 Other adjustments—see page 12 ▶	29		
30 Total adjustments. Add lines 22 through 29 ▶		30	

Adjusted Gross Income

31 Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	16,162

☆ U.S. GOVERNMENT PRINTING OFFICE 1981—0—343-057 93-0875140

1-1

Tax Computation (See Instructions on page 12)	32a	Amount from line 31 *(adjusted gross income)*	32a	16,162
	32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41	32b	702
		Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*		
	32c	Subtract line 32b from line 32a	32c	15460
	33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e	33	1000
	34	Taxable Income. Subtract line 33 from line 32c	34	14460
	35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726	35	2321
	36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax	36	
	37	Total. Add lines 35 and 36 ▶	37	2321

Credits (See Instructions on page 13)	38	Credit for contributions to candidates for public office	38			
	39	Credit for the elderly *(attach Schedules R&RP)*	39			
	40	Credit for child and dependent care expenses (attach Form 2441)	40			
	41	Investment credit *(attach Form 3468)*	41			
	42	Foreign tax credit *(attach Form 1116)*	42			
	43	Work incentive (WIN) credit *(attach Form 4874)*	43			
	44	Jobs credit *(attach Form 5884)*	44			
	45	Residential energy credit *(attach Form 5695)*	45			
	46	Total credits. Add lines 38 through 45			46	
	47	Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	2321

Other Taxes (Including Advance EIC Payments)	48	Self-employment tax *(attach Schedule SE)*	48	
	49a	Minimum tax. Attach Form 4625 and check here ▶ ☐	49a	
	49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐	49b	
	50	Tax from recomputing prior-year investment credit *(attach Form 4255)*	50	
	51a	Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*	51a	
	51b	Uncollected employee FICA and RRTA tax on tips *(from Form W–2)*	51b	
	52	Tax on an IRA *(attach Form 5329)*	52	
	53	Advance earned income credit (EIC) payments received *(from Form W–2)*	53	
06	54	Total tax. Add lines 47 through 53 ▶	54	2321

Payments Attach Forms W–2, W–2G, and W–2P to front.	55	Total Federal income tax withheld	55	2340		
	56	1981 estimated tax payments and amount applied from 1980 return	56			
	57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57			
	58	Amount paid with Form 4868	58			
	59	Excess FICA and RRTA tax withheld (two or more employers)	59			
	60	Credit for Federal tax on special fuels and oils (attach *Form 4136 or 4136–T*)	60			
	61	Regulated Investment Company credit *(attach Form 2439)*	61			
	62	Total. Add lines 55 through 61 ▶			62	2340

Refund or Balance Due	63	If line 62 is larger than line 54, enter amount OVERPAID ▶			63	19
	64	Amount of line 63 to be REFUNDED TO YOU ▶			64	19 00
	65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65			
	66	If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature	Date	Check if self-employed ▶ ☐	Preparer's social security no. xxx xx xxxx
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: IMA TAXPAYER

Your social security number: 321 | 54 | 9876

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		150
2 Medicine and drugs	150	
3 Enter 1% of Form 1040, line 31	162	
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		-0-
5 Balance of insurance premiums for medical care not entered on line 1		160
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc.		135
b Hospitals		
c Transportation		18
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
LAB FEES		25
7 Total (add lines 4 through 6d)		338
8 Enter 3% of Form 1040, line 31		485
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero		-0-
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 ▶		150

Taxes (See page 18 of Instructions.)

11 State and local income	1240
12 Real estate	
13 a General sales (see sales tax tables)	
b General sales on motor vehicles	
14 Personal property	
15 Other (itemize) ▶	
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶	1240

Interest Expense (See page 18 of Instructions.)

17 Home mortgage	
18 Credit and charge cards	254
19 Other (itemize) ▶	
TEACHER'S CREDIT UNION	220
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	474

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Contributions (See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)	273
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶	
22 Other than cash (see page 19 of Instructions for required statement)	90
23 Carryover from prior years	
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	363

Casualty or Theft Loss(es) (You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)

25 Loss before reimbursement	470
26 Insurance or other reimbursement you received or expect to receive	
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero	470
28 Enter $100 or amount from line 27, whichever is smaller	100
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶	370

Miscellaneous Deductions (See page 19 of Instructions.)

30 a Union dues	80
b Tax return preparation fee	35
31 Other (itemize) ▶	
VOCATIONAL SUPPLIES	65
EDUCATIONAL: FROM	
TUITION 2106	150
BOOKS, SUPPLIES	75
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶	405

Summary of Itemized Deductions (See page 20 of Instructions.) **A**

33 Total medical and dental—from line 10	150
34 Total taxes—from line 16	1240
35 Total interest—from line 20	474
36 Total contributions—from line 24	363
37 Total casualty or theft loss(es)—from line 29	370
38 Total miscellaneous—from line 32	405
39 Add lines 33 through 38	3002
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 1 or 4, enter $2,300 3, enter $1,700	2300
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) ▶	702

Schedules A&B (Form 1040) 1981

Schedule B—Interest and Dividend Income

OMB No. 1545–0074 Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side): IMA TAXPAYER

Your social security number: 321 54 9876

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	
TEACHERS CR. UNION	150
N.Y. LIFE	30
1b Total. Add above amounts	180
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	
FRED MEYER 500	
1d Total 500	
1e Exclusion (See page 20 of Instructions) 500	
1f Subtract line 1e from line 1d. Caution: *No part of the amount on line 1f may be excluded on Form 1040, line 8d.*	–0–
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	180

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer		Amount
3 MUTUAL FUND		100
4 Total. Add above amounts		100
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	50	
6 Nontaxable distributions (See Instructions for adjustment to basis)		
7 Total (add lines 5 and 6)		50
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b		50

B

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520–A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-050

Form **2106**
Department of the Treasury
Internal Revenue Service (0)

Employee Business Expenses

(Please use Form 3903 to figure moving expense deduction.)
▶ Attach to Form 1040.

OMB No. 1545-0139

1981

[illegible] name: THA TAXPAYER
Social security number: 321 54 9876
Occupation in which expenses were incurred: TeacheR
Employer's name: PORTLAND School DIST
Employer's address: PORTLANd, OR

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Instructions

Use this form to show your business expenses as an employee during 1981. Include amounts:

- You paid as an employee;
- You charged to your employer (such as by credit card);
- You received as an advance, allowance, or repayment.

Several publications available from IRS give more information about business expenses:

Publication 463, *Travel, Entertainment, and Gift Expenses.*
Publication 529, *Miscellaneous Deductions.*
Publication 587, *Business Use of Your Home.*
Publication 508, *Educational Expenses.*

Part I.—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these ex[illegible]es in Part I and use them in figuring your [illegible]ed gross income on Form 1040, line 31.

[illegible]e 2.—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips when you did not need sleep or rest.

Line 3.—If you use a car you own in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Part IV. You can take either the cost of your actual expenses (such as gas, oil, repairs, depreciation, etc.) or you can use the standard mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. If you use the standard mileage rate to figure the cost of business use, the car is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. After 60,000 miles of business use at the maximum rate, the car is considered to be fully depreciated. (For details, see Publication 463.)

Caution: You cannot use the mileage rate for a leased vehicle.

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

Line 4.—If you were an outside salesperson with other business expenses, list them on line 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For details, see Publication 463.)

Line 5.—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

Part II.—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. (For details, see Publication 529.)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see Publication 587.)

If you show education expenses in Part I or Part II, you must fill out Part III.

Part III.—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see Publication 508.)

Part IV, line 8—Depreciation

Cars placed in service before 1/1/81:
You must continue to use either the standard mileage rate or the method of depreciation you used in earlier years. You cannot change to either of the new methods available in 1981.

Cars placed in service after 12/31/80:
If you placed a car in service in 1981 and you do not use the standard mileage rate, you must use the new Accelerated Cost Recovery System (ACRS). One method lets you deduct the following percentages of your cost basis regardless of what month you placed the car in service:

1981—25%
1982—38%
1983—37%

Example: You bought a new car, without a trade-in, for $10,000 in September 1981, and used it 60% for business. Your basis for depreciation is $6,000 ($10,000 × 60%). For 1981 your depreciation deduction is $1,500 ($6,000 × 25%). If your percentage of business use changes in 1982, you must refigure your basis for depreciation.

There is also an alternate ACRS method under which you may use a straight-line method over a recovery period of 3, 5, or 12 years.

Note: *If you use the mileage rate, you are considered to have made an election to exclude this vehicle from ACRS.*

You do not have to consider salvage value in either of these methods. Please see Publication 463 for details on how to figure the deduction under either method.

PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

1 Fares for airplane, boat, bus, taxicab, train, etc. . . . .
2 Meals and lodging . . . .
3 Car expenses (from Part IV, line 21) . . . .
4 Outside salesperson's expenses (see Part I instructions above) ▶
5 Other (see Part I instructions above) ▶
6 Add lines 1 through 5 . . . .
7 Employer's payments for these expenses if not included on Form W-2 . . . .
8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 23 .
9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 23 . . . .

PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

[illegible]siness expenses not included above (list expense and amount) ▶
TUITION 150 ; BOOKS + SUPPLYS 75 — 225
2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040) . . . .

PART III.—Information About Education Expenses Shown in Part I or Part II

1 Name of educational institution or activity ▶ PORTLAND COMM. College
2 Address ▶ PORT. OR
3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☒ No
4 Will this study program qualify you for a new job? ☐ Yes ☒ No
5 If your answer to question 3 or 4 is Yes, you cannot deduct these expenses. If No, explain (1) why you are getting the education, and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶
TO IMPROVE SKILLS IN JOB
6 List your main subjects, or describe your educational activity ▶
COMMUNICATION SKILLS

PART IV.—Car Expenses (Use either your actual expenses or the mileage rate.)

	Car 1	Car 2	Car 3
A. Number of months you used car for business during 1981	months	months	months
B. Total mileage for months in line A	miles	miles	miles
C. Business part of line B mileage	miles	miles	miles

Actual Expenses (Include expenses on lines 1–5 for only the months shown in line A, above.)

1 Gasoline, oil, lubrication, etc.			
2 Repairs			
3 Tires, supplies, etc.			
4 Other: (a) Insurance			
(b) Taxes			
(c) Tags and licenses			
(d) Interest			
(e) Miscellaneous			
5 Total (add lines 1 through 4(e))			
6 Business percentage of car use (divide line C by line B, above)	%	%	%
7 Business part of car expense (multiply line 5 by line 6)			
8 Depreciation (see instructions on front) Caution: *If you use ACRS, skip line 9 and enter the amount from line 8 on line 10.*			
9 Divide line 8 by 12 months			
10 Multiply line 9 by line A, above			
11 Total (add line 7 and line 10; then skip to line 19)			

Mileage Rate

12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above		miles
13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here		
14 Enter any combined mileage from line C that is over 15,000 miles	miles	▨
15 Multiply line 14 by 11¢ and enter here		
16 Total mileage expense (add lines 13 and 15)		
17 Business part of car interest and State and local taxes (except gasoline tax)		
18 Total (add lines 16 and 17)		

Summary

19 Enter amount from line 11 or line 18, whichever you used	
20 Parking fees and tolls	
21 Total (add lines 19 and 20). Enter here and in Part I, line 3	

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KEY TO QUIZ--Session VI--Contributions, Casualty, Educational and Miscellaneous

1. B
2. D
3. E
4. C
5. C
6. E
7. B
8. D
9. D
10. E
11. B
12. E
13. C
14. E
15. B
16. A
17. E
18. F
19. E
20. B
21. E
22. C
23. E
24. A
25. E

SESSION VII

INCOME TAX COMPUTATIONS
TAX PREPARER LICENSING LAW
IRS PRACTITIONER LAW

Reading Assignment: Publication 17, Chapter 33,
Review Chapter 1
Oregon Income Tax Services Law and Code of Professional Conduct
Privacy Act Notification, Disclosure IRS Code Section

Forms Required for Class Handouts: Schedule G (4)
1040 (3)

I. Review

  A. Review quiz taken in previous session

  B. Review assignment not covered in last session

  C. Answer all questions students have at this time before going into new material.

II. Introduction of New Material

III. Teaching Hints

  A. Vocabulary (Student Workbook)

  B. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Short quiz

VII. Resources for Teacher:

  A. Transparency: Schedule G

  B. Publication 506, 1054

  C. Keys to problems and quiz

1. INTRODUCTION TO NEW MATERIAL

   A. Concept of Zero Bracket Amount

   B. Tax rate schedules

      1. Schedules X,Y,Z

      2. Computation of taxable income

   C. Concept of Unused Zero Bracket

      1. Dependent with unearned income

      2. Married filing separately

   D. Income Averaging
      1. Computation year: Current year
      2. Base period years: 4 tax years preceding the computation year.
      3. Eligible individuals
         a. Must be a citizen or resident of U.S. during entire computation year
         b. Cannot be a non-resident alien at any time during computation or base period years
         c. Support:
            1. Must furnish over 50% of own support all years
            2. Exceptions:
               a. Taxpayer was 25 or over in the computation year and was not a fulltime student during at least four of the tax years after turning 21.
               b. More than half of taxpayer's taxable income for computation year is attributable to work performed in two or more of the base period years
               c. Spouse doesn't need to meet the support test if 25% or less of the AGI in the computation year is attributable to that spouse
      4. Averageable income
         a. Demonstrate the sample problem on Schedule G using overhead projector.
         b. Averageable income must exceed $3,000
      5. Change in marital status
         a. No adjustment necessary if:
            1. Unmarried all 5 years
            2. Married to and filing joint return with same spouse all 5 years
         b. Filing joint in computation year and single or separate in base years. Compute separate taxable income and add together.

   c. If married to others in base years each spouse's taxable income must be separately calculated first, using the instructions on Schedule G and in Publication 506
6. Use the tax rate schedules, not the tables
7. If you average you cannot use foreign income exclusions or maximum tax computations

E. Oregon Income Tax Services Law and Code of Professional Conduct (student workbook)

F. IRS Practitioner Law
1. Disclosure of Use of Information by Preparers of Returns, IRS Code Section 7216 (student workbook)
2. Privacy Act Notification (student workbook)
3. IRS tax Practitioner Law, IRS Code Sections 6694-6696 (student workbook)
   a. The Tax Reform Act of 1976 added provisions to the Internal Revenue Code which provide specific requirements for tax preparers. If your students intend to become practitioners, they should know all the requirements covered in this section. Cover why the requirements and standards for income tax preparers were set up under the Tax Reform Act of 1976. Indicate the differences between federal and Oregon law.
   b. Point out that the preparation of a substantial portion of a return is considered preparation of the return. Cover the exceptions. Oregon definition differs.
   c. Duties and responsibilities of preparers

      1. Copy of the return

      2. Signature and identifying information Cover the kind of information that must be entered into the preparer's block
      3. Retaining copies of returns or a record Point out that the record must be kept for a period of three years for federal law and four years for Oregon law.
      4. List of income tax returns prepared to be retained for IRS inspection (or copies)
   d. Penalties for preparers

      1. Understatement of taxpayer's liability
         a. Cover the dollar amount of these penalties
         b. Explain the difference between negligence or intentional disregard of rules and willful attempt to underestimate the tax.

        2. Negotiation of check (Oregon also)

        3. Failure to comply with reporting requirements--Point out to students that an employer-preparer is required to keep a record of each preparer employed preparing returns (12-month period beginning July 1 of each year).

    e. Improper disclosure or use of tax information

        1. Exceptions--Point out to students when a disclosure of tax information is not improper.

    f. Injunction against preparers--Cover the different alternatives taxpayers have in gaining assistance in income tax preparation.

    g. Taxpayer obligations

        1. Definitions of criminal offenses

        2. Concept of willfulness

        3. Penalties include fines and imprisonment

    h. Enrollment to practice before Internal Revenue Service

    i. Other Information

        1. Where to call for additional information

        2. Practitioners' mailing list

        3. List of IRS Publications-Publ. 17--Cover the different research sources at the disposal of practitioners.

QUIZ Session 7:Income Tax Computation, Tax Preparer Licensing Law, IRS Practitioner Law

1. T F The base period income may be adjusted below zero.

2. T F To be eligible to compute your tax by the income averaging method, it is necessary to be either a citizen or resident of the U.S. during the computation year and not to have been a nonresident alien during any of the base period years.

3. T F You must use the income averaging method to compute your tax if you qualify.

4. T F To income average, your averageable income must be more than $3,000.

5. T F If the taxpayer is still within the statute of limitations, you may amend a prior year's tax return if it is discovered that income averaging were more beneficial.

6. Tom Blue, a single individual, is claimed as a dependent on his father's return. He earned $1,300 in a summer job and received $2,700 as the beneficiary of a trust. His itemized deductions total $500. Compute Tom's taxable income. $_____.

7. John Jones is married filing separately. His income is $10,285. His wife itemized deductions. His total itemized deductions are $1,350, and he claims his own exemption. Compute John's taxable income. $___________

8. How many days prior to the examination must an applicant apply for a state tax preparer or consultant examination?

A. Fifteen days
B. One month (30 days)
C. Two months (60 days)
D. Twenty days

9. Each tax preparer shall display the evidence of the license issued to them in accordance with rules adopted by the board in:

A. The general work area of their office
B. The main office of the employing company
C. The tax preparer's license belongs to the employer and is displayed in the employer's office
D. It need not be displayed publicly
E. The tax preparer's home

10. A licensee must return a taxpayer's personal papers:

A. When the tax preparation fee has been paid
B. when the taxpayer requests them
C. Only when a court subpoena's them
D. When the taxpayer requests them in writing

11. Tax season as described by the tax service law is the period starting:

A. January 15 and ending April 15
B. January 1 and ending April 15
C. January 15 and ending June 15
D. January 1 and ending April 30

12. Fees in the connection with preparation of tax returns:

A. Must be stated separately from, and in addition to, any other professional services provided.
B. May be combined with other professional services provided
C. Must not exceed certain limits prescribed by the "Board"
D. Must conform to the federal law

13. How long does a person incurring a penalty from the State Board of Tax Service Examiners have from the date of the notice to make written application for a hearing before the board.

A. 30 days
B. 15 days
C. 10 days
D. 20 days

14. A tax Consultant shall provide:

A. A year-round phone number and address where clients may contact the LTC in the event of a problem.
B. A phone number and address where clients can reach the LTC during tax season only.
C. Either A or B since no law states clearly what a Tax Consultant should do.
D. Tax Consultants do not need to provide a phone number, as long as they provide an address for year-round problems.

15. A licensee who finds that the client has not complied with the law or has made an omission or error from a return or other paper, shall:

A. Call IRS and report the client
B. Ignore the situation since the licensee is not liable
C. Promptly advise the client of such non-compliance, error or omission
D. None of the above

16. The maximum penalty that can be assessed by the State Board of Tax Service Examiners for each violation:

A. $500
B. $2,000
C. $1,000
D. $100
E. no maximum

17. To maintain an active license, the State Board requires you to:
A. Get 60 hours continuing education every year, plus pay a renewal fee annually.
B. Get 20 hours continuing education every year, plus pay a renewal fee annually.
C. Get 60 hours continuing education every three years, with 12 hours required each year, plus pay a renewal fee annually.
D. None of the above.

18. The State Board of Tax Service Examiners may refuse to issue or renew, or may suspend or revoke a license, or may reprimand any person licensed as a tax preparer or Tax Consultant for which of the following reasons?

A. Resolving doubt in favor of the client as long as there is reasonable support for the position.
B. Stating fees for tax return preparation separately, and in addition to, any other professional services provided.
C. Charging the client a fee based upon the amount of refund due on the clients return.
D. Providing a year-round phone number and address where clients and the board may contact the licensee.
E. None of the above.

19. A "Tax Consultant" must keep records of all personal income tax returns completed by the business for at least:

A. 6 years
B. 4 years
C. 5 years
D. 3 years

20. To qualify for licensing, as an applicant, you must meet the following requirements:

A. Be no less than 18 years of age
B. Successfully complete not less than sixty (60) hours in basic personal income tax law, theory, and practice
C. Have a high school education or equivalency examination
D. All of the above.
E. A and B

21. A licensed Tax Consultant can allow:

A. Any person to prepare income tax returns under their supervision
B. Only tax preparers to practice under their supervision
C. Either Tax Consultants or tax preparers to practice under their supervision
D. Cannot allow anyone to practice under their supervision

22. A licensee may arrange for a refund check to be mailed:

A. To a licensee for the purpose of settling their bill
B. To a client's bank to be deposited directly in the client's account
C. Directly to the client or another address designated by the client
D. Any of the above

23. A licensee shall not knowingly undertake to make tax reports that are outside of his/her experience and competence unless:

A. They obtain the assistance of someone who is competent in the area of concern
B. They are quite sure the specific report will not be audited
C. The client insists and signs a waiver
D. You work for one of the large income tax preparation firms, and they accept responsiblity.

24. the Oregon Tax Service Law is administered by:

A. The Department of Revenue
B. The Department of Education
C. The Department of Commerce
D. The Department of Interior

25. Taxpayer is married with four total exemptions. Taxable Income in the base years are" 1977: $2,000; 1978: $2,500; 1979: $6,200; 1980: $3,500. 1981 taxable income is $10,000. Complete Schedule G. What is the tax savings by income averaging?

KEY TO EXERCISES - Session 7

Form 1040 (1981) JOE DAVIS #1 A. Page 2

Tax Computation (See Instructions on page 12)

32a	Amount from line 31 (adjusted gross income)	32a	10800
32b	If you do not itemize deductions, enter zero . 2300. <1800.> . . . . . . If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 . . . Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☒ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*	32b	500
32c	Subtract line 32b from line 32a	32c	11,300
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e . .	33	1000
34	Taxable Income. Subtract line 33 from line 32c	34	10,300
35	Tax. Enter tax here and check if from ☑ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726	35	1437
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax	36	

Form 1040 (1981) JOY BANKER #1B Page 2

Tax Computation (See Instructions on page 12)

32a	Amount from line 31 (adjusted gross income)	32a	2600
32b	If you do not itemize deductions, enter zero . 2300 <1600> . . . . If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 . . . Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*	32b	700
32c	Subtract line 32b from line 32a	32c	3300
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e . .	33	1000
34	Taxable Income. Subtract line 33 from line 32c	34	2300
35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726	35	— 0 —
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax	36	

Form 1040 (1981) MARVIN MOWER #1C (NO ADJUSTMENT) Page 2

Tax Computation (See Instructions on page 12)

32a	Amount from line 31 (adjusted gross income)	32a	9200
32b	If you do not itemize deductions, enter zero . . . . If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 . . . Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*	32b	500
32c	Subtract line 32b from line 32a	32c	8700
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e . .	33	1000
34	Taxable Income. Subtract line 33 from line 32c	34	7700
35	Tax. Enter tax here and check if from ☑ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726	35	913
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax	36	

2. a. $3,654
b. $22,38
c. $1,803

3. a. $4,700
b. -0-
c. $ 350

Name(s) as shown on Form 1040 TOBY THOMAS # 4

Your social security number

Base Period Income and Adjustments	(a) 1980	(b) 1979	(c) 1978	(d) 1977
1 Enter amount from: Form 1040—line 34 Form 1040A (1977 and 1978)—line 10 Form 1040A (1979 and 1980)—line 11	22,000	17000	9000	5000
2 a Multiply $750 by your total number of exemptions each year, 1977 and 1978			750	750
b Multiply $1,000 by your total number of exemptions each year, 1979 and 1980	1000	1000		
3 Taxable income (subtract line 2a or 2b from line 1). If less than zero, enter zero	21,000	16,000	8250	4250
4 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931				
5 Base period income (add lines 3 and 4)	21,000	16,000	8250	4250

Computation of Averageable Income

6 Taxable income for 1981 from Form 1040, line 34		6	29,000
7 Certain amounts received by owner-employees subject to a penalty under section 72(m)(5)		7	
8 Subtract line 7 from line 6		8	29,000
9 Excess community income		9	
10 Adjusted taxable income (subtract line 9 from line 8). If less than zero, enter zero		10	29000
11 [illegible]d columns (a) through (d), line 5, and enter here	11 49,500		
1[illegible]er 30% of line 11		12	14,850
13 Averageable income (subtract line 12 from line 10)		13	14,150

If line 13 is $3,000 or less, do not complete the rest of this form. You do not qualify for income averaging.

G

Computation of Tax

14 Amount from line 12		14	14850
15 20% of line 13		15	2830
16 Total (add lines 14 and 15)		16	17,680
17 Excess community income from line 9		17	
18 Total (add lines 16 and 17)		18	17,680
19 Tax on amount on line 18 (see caution below)		19	3409
20 Tax on amount on line 16 (see caution below)	20 3409		
21 Tax on amount on line 14 (see caution below)	21 2566		
22 Subtract line 21 from line 20	22 843		
23 Multiply the amount on line 22 by 4		23	3372
Note: *If no entry was made on line 7 above, skip lines 24 through 26 and go to line 27.*			
24 Tax on amount on line 6 (see caution below)	24		
25 Tax on amount on line 8 (see caution below)	25		
26 Subtract line 25 from line 24		26	
2[illegible]d lines 19, 23, and 26		27	6781
2[illegible]ultiply line 27 by .0125		28	85
29 Tax (subtract line 28 from line 27). Enter here and on Form 1040, line 35 and check Schedule G box		29	6696

SAVES $743

T/SES7/

SCHEDULE G
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Income Averaging

▶ See instructions on back.
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
20

Name(s) as shown on Form 1040: Tom + Carla Vernas #5

Your social security number:

Base Period Income and Adjustments	(a) 1980	(b) 1979	(c) 1978	(d) 1977
1 Enter amount from: Form 1040—line 34 Form 1040A (1977 and 1978)—line 10 Form 1040A (1979 and 1980)—line 11	40,000	31,900	22,000	12000
2 a Multiply $750 by your total number of exemptions each year, 1977 and 1978			1500	1500
b Multiply $1,000 by your total number of exemptions each year, 1979 and 1980	2000	2000		
3 Taxable income (subtract line 2a or 2b from line 1). If less than zero, enter zero	38,000	29,900	20,500	10,500
4 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931				
5 Base period income (add lines 3 and 4)	38,000	29,900	20,500	10,500

Computation of Averageable Income

6 Taxable income for 1981 from Form 1040, line 34		6	48000
7 Certain amounts received by owner-employees subject to a penalty under section 72(m)(5)		7	
8 Subtract line 7 from line 6		8	48000
9 Excess community income		9	
10 Adjusted taxable income (subtract line 9 from line 8). If less than zero, enter zero		10	48000
11 Add columns (a) through (d), line 5, and enter here	11 98,900		
12 Enter 30% of line 11		12	29,670
13 Averageable income (subtract line 12 from line 10)		13	18,330

If line 13 is $3,000 or less, do not complete the rest of this form. You do not qualify for income averaging.

G

Computation of Tax

14 Amount from line 12		14	29670
15 20% of line 13		15	3666
16 Total (add lines 14 and 15)		16	33336
17 Excess community income from line 9		17	
18 Total (add lines 16 and 17)		18	33336
19 Tax on amount on line 18 (see caution below)		19	7472
20 Tax on amount on line 16 (see caution below)	20 7472		
21 Tax on amount on line 14 (see caution below)	21 6127		
22 Subtract line 21 from line 20	22 1345		
23 Multiply the amount on line 22 by 4		23	5380
Note: If no entry was made on line 7 above, skip lines 24 through 26 and go to line 27.			
24 Tax on amount on line 6 (see caution below)	24		
25 Tax on amount on line 8 (see caution below)	25		
26 Subtract line 25 from line 24		26	
27 Add lines 19, 23, and 26		27	12852
28 Multiply line 27 by .0125		28	161
29 Tax (subtract line 28 from line 27). Enter here and on Form 1040, line 35 and check Schedule G box		29	12,691

Savings
$947

Caution: Use Tax Rate Schedule X, Y, or Z from the Form 1040 instructions, but do not use the Tax Computation Worksheet on that page. Do not use the Tax Table.

For Paperwork Reduction Act Notice, see Form 1040 instructions.

SCHEDULE G
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Income Averaging

▶ See instructions on back.
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
20

Name(s) as shown on Form 1040: ROSE ALLITA #6

Your social security number:

Base Period Income and Adjustments

	(a) 1980	(b) 1979	(c) 1978	(d) 1977
1 Enter amount from: Form 1040—line 34; Form 1040A (1977 and 1978)—line 10; Form 1040A (1979 and 1980)—line 11	8200	4100	<7500>	1400
2 a Multiply $750 by your total number of exemptions each year, 1977 and 1978	▨	▨	750	750
b Multiply $1,000 by your total number of exemptions each year, 1979 and 1980	1000	1000	▨	▨
3 Taxable income (subtract line 2a or 2b from line 1). If less than zero, enter zero	7200	3100	-0-	650
4 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931				
5 Base period income (add lines 3 and 4)	7200	3100	-0-	650

Computation of Averageable Income

6 Taxable income for 1981 from Form 1040, line 34	6	16,308
7 Certain amounts received by owner-employees subject to a penalty under section 72(m)(5)	7	
8 Subtract line 7 from line 6	8	16,308
9 Excess community income	9	
10 Adjusted taxable income (subtract line 9 from line 8). If less than zero, enter zero	10	16,308
11 Add columns (a) through (d), line 5, and enter here — 11: 10,950		▨
12 Enter 30% of line 11	12	3285
13 Averageable income (subtract line 12 from line 10)	13	13023

If line 13 is $3,000 or less, do not complete the rest of this form. You do not qualify for income averaging.

G

Computation of Tax

14 Amount from line 12			14	3285
15 20% of line 13			15	2605
16 Total (add lines 14 and 15)			16	5890
17 Excess community income from line 9			17	
18 Total (add lines 16 and 17)			18	5890
19 Tax on amount on line 18 (see caution below)			19	582
20 Tax on amount on line 16 (see caution below)	20	582		▨
21 Tax on amount on line 14 (see caution below)	21	138		▨
22 Subtract line 21 from line 20	22	444		▨
23 Multiply the amount on line 22 by 4			23	1776
Note: *If no entry was made on line 7 above, skip lines 24 through 26 and go to line 27.*				▨
24 Tax on amount on line 6 (see caution below)	24			▨
25 Tax on amount on line 8 (see caution below)	25			▨
26 Subtract line 25 from line 24			26	
27 Add lines 19, 23, and 26			27	2358
28 Multiply line 27 by .0125			28	29
29 Tax (subtract line 28 from line 27). Enter here and on Form 1040, line 35 and check Schedule G box			29	2329

SAVES #632

Caution: Use Tax Rate Schedule X, Y, or Z from the Form 1040 instructions, but do not use the Tax Computation Worksheet on that page. Do not use the Tax Table.

For Paperwork Reduction Act Notice, see Form 1040 instructions.

SCHEDULE G
(Form 1040)
Department of the Treasury
Internal Revenue Service

Income Averaging

▶ See instructions on back.
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
20

Name(s) as shown on Form 1040 Quiz #25

Your social security number

Base Period Income and Adjustments	(a) 1980	(b) 1979	(c) 1978	(d) 1977
1 Enter amount from: Form 1040—line 34 Form 1040A (1977 and 1978)—line 10 Form 1040A (1979 and 1980)—line 11	7500	10,200	5500	5000
2 a Multiply $750 by your total number of exemptions each year, 1977 and 1978			3000	3000
b Multiply $1,000 by your total number of exemptions each year, 1979 and 1980	4000	4000		
3 Taxable income (subtract line 2a or 2b from line 1). If less than zero, enter zero	3500	6200	2500	2000
4 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931				
5 Base period income (add lines 3 and 4)	3500	6200	2500	2000

Computation of Averageable Income

6 Taxable income for 1981 from Form 1040, line 34		6	10,000
7 Certain amounts received by owner-employees subject to a penalty under section 72(m)(5)		7	
8 Subtract line 7 from line 6		8	10,000
9 Excess community income		9	
10 Adjusted taxable income (subtract line 9 from line 8). If less than zero, enter zero		10	10000
11 Add columns (a) through (d), line 5, and enter here	11 14,200		
12 Enter 30% of line 11		12	4260
13 Averageable income (subtract line 12 from line 10)		13	5740

If line 13 is $3,000 or less, do not complete the rest of this form. You do not qualify for income averaging.

G

Computation of Tax

14 Amount from line 12		14	4260
15 20% of line 13		15	1148
16 Total (add lines 14 and 15)		16	5408
17 Excess community income from line 9		17	
18 Total (add lines 16 and 17)		18	5408
19 Tax on amount on line 18 (see caution below)		19	281
20 Tax on amount on line 16 (see caution below)	20 281		
21 Tax on amount on line 14 (see caution below)	21 120		
22 Subtract line 21 from line 20	22 161		
23 Multiply the amount on line 22 by 4		23	644
Note: *If no entry was made on line 7 above, skip lines 24 through 26 and go to line 27.*			
24 Tax on amount on line 6 (see caution below)	24		
25 Tax on amount on line 8 (see caution below)	25		
26 Subtract line 25 from line 24		26	
27 Add lines 19, 23, and 26		27	925
28 Multiply line 27 by .0125		28	12
29 Tax (subtract line 28 from line 27). Enter here and on Form 1040, line 35 and check Schedule G box		29	913

SAVINGS
$140

Caution: Use Tax Rate Schedule X, Y, or Z from the Form 1040 instructions, but do not use the Tax Computation Worksheet on that page. Do not use the Tax Table.

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Solution **Crossword Puzzle**

1 S	I	X	2 T	E	E	N	T	3 H	A	M	E	N	D	4 M	E	N	5 T
O			W					O						A			H
6 C	H	O	O	S	E		7 F	U	N	8 D				9 R	10 A	T	E
I								S		E			11 I	R	S		T
12 A	L	L	O	W	A	N	C	E		C				I			A
L										R				E			X
13 S	E	R	14 V	I	C	E	S		15 D	E	P	16 E	N	D	E	N	T
E			O					17 A		A		X					A
18 C	I	V	I	L	I	Z	E	D		S		E					B
U			C					19 D	U	E		M					L
20 R	E	V	E	N	U	E				21 S	E	P	A	R	A	22 T	E
I												T				A	
23 T	A	X	P	24 A	C	K	A	G	E			I				X	
Y				G								O				E	
			25 S	E	R	V	I	C	E	C	E	N	T	E	R	S	

KEY TO QUIZ--SESSION 7

1. F
2. T
3. F
4. T
5. T
6. $4,000
7. $9,635
8. B
9. A
10. D
11. A
12. A
13. D
14. A
15. C
16. C
17. B
18. C
19. B
20. D
21. C
22. C
23. A
24. C

SESSION VIII

OREGON INCOME TAX
HARRP & PTR

Reading Assignment:	1. Form 40 - State of Oregon, Current Full-Year Resident Publication 2. Form 40NR - State of Oregon, Current Part-Year and Non-Resident Publication 3. Publication 17 1/2 4. Information Circulars

Forms Required for Class Handouts:	1040	(1)	Schedule A/B	(1)
	40	(3)	Form 40NR	(3)
	70R	(1)	R&RP	(1)

I. Review

A. Review quiz taken in previous session

B. Review assignment not covered in last session

C. Answer all questions students have at this time before going into new material

II. Introduction of New Material

III. Teaching Hints:

A. Vocabulary (Student Workbook)

B. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Short Quiz

VII. Resources for Teacher:

A. Transparencies: Form 40, 40NR, 70R, Refund worksheet for Renters and Mobile Home Owners

B. Keys to Problems and Quiz

1. INTRODUCTION OF NEW MATERIAL

A. Oregon Resident: Forms 40S and 40

1. Residence vs domicile (intent)
2. Who may use Oregon short Form 40S
3. Who must use Oregon Form 40
4. Form 40
    - a. Federal AGI
    - b. Oregon changes to income
        - 1) Oregon AGI
    - c. Additions
    - d. Subtractions
    - e. Deduction and exemptions
    - f. Oregon tax
        - 1) Credits
    - g. Tax Payments
        - 1) Estimated Tax
        - 2) Non-Game and Art Dev. Funds

B. Oregon Part-Year and Nonresidents: Form 40NR

1. Review Residency Requirements
    - a. Military exceptions
    - b. Married individuals whose residency is not the same
2. Form 40NR
    - a. Nonresidents taxable income
    - b. Part-year residents taxable income
    - c. Adjustments to income
    - d. Oregon changes to income
    - e. Oregon %
    - f. Additions
    - g. Subtractions
    - h. Deductions and exemptions
    - i. Oregon Tax
    - j. Credits
    - k. Tax Payments

C. HARRP and PTR Homeowner and Renter Refund: Form 70R

1. Qualifications
    - a. Homeowner
    - b. Renter
    - c. Mobile homeowner
    - d. Special cases
2. Household income
    - a. Items included
    - b. Items excluded
3. Property tax amount qualified
    - a. Use amount after 30% paid by state
    - b. Use amount before special assessments
    - c. Prorate between business and personal (use total land value and % personal

QUIZ: SESSION 8 - Oregon Income Tax, HARRP & PTR

1. The tax that is deductible on Oregon but not on the federal return is:

   A. Oregon income tax
   B. federal income tax
   C. federal excise tax
   D. inheritance tax

2. An individual moving into Oregon may use as an adjustment on an Oregon return:

   A. a percentage of the moving expense of Oregon income to federal income
   B. just the amount spent in Oregon
   C. none of the moving expenses
   D. all the moving expenses used on the federal return

3. Your intent is to make Oregon your permanent home and it is where your residence is, but all of your income was earned in Nevada:

   A. you file an Oregon return listing all the income you earned while an Oregon resident
   B. you do not file an Oregon return since you had no Oregon income
   C. you file an information return to Oregon but do not pay any tax
   D. none of the above

4. Oregon state standard deduction is based on (federal or Oregon) AGI. Underline one.

   What is the maximum amount of standard deduction allowed for all taxpayers except married filing separately?

   A. $1,050 B. $2,200 C. $1,500 D. $3,200

5. What is the maximum amount of federal income tax you can deduct on a return for an individual filing separately?

   A. $5,000 B. $3,500 C. $2,500 D. $3,000

6. what percentage of the federal credit for the elderly is allowed on the Oregon return?

   A. 20% B. 40% C. 10% D. 15%

7. Which of the following are taxable on an Oregon return?

   A. Renters refund, taxpayer itemized on prior years return
   B. Series E bond interest
   C. Civil service pension of 3,300, taxpayer 64 years old
   D. Civil service pension of $2,200, taxpayer 66 years old, household income of $26,000
   E. Property tax refund, taxpayer did not itemize last year
   F. Municipal bond interest from the state of Nevada

8. The minimum standard deduction for an individual filing as head of household on an Oregon return is:

   A. $525 B. $1,500 C. $1,050 D. $750

9. What percentage of your federal dependent and child care credit can be used as a credit on your Oregon return?

   A. 40% B. 20% C. 15% D. 30%

10. Joe Blow and his wife are both in the military and receive active duty pay. Joe received $4,000 and his wife received $2,000. How much may Mr. and Mrs. Blow use as a subtraction on their Oregon return?

    A. $3,000 B. $6,000 C. $4,800 D. $5,000

11. How much is the credit for the loss of two limbs on an Oregon return?

    A. $100 B. $25 C. $50 D. none

12. If a taxpayer itemized deductions and uses Oregon withholdings as a deduction on their federal return:

    A. Taxpayer has no adjustments on Oregon return
    B. Taxpayer subtracts this amount from his itemized deductions on the Oregon return
    C. Taxpayer gets a credit on Oregon return
    D. Taxpayer has to add it back in as income on Oregon return

13. A taxpayer, age 62, retired with a U.S. civil service pension may deduct up to what amount on their Oregon return:

    A. $2,400 B. $1,500 C. $3,300 D. $3,400

14. If a taxpayer claimed the federal earned income credit on their federal return:

A. It must be subtracted from federal tax liablility in determining the federal tax deduction on their Oregon return
B. It must be added into income on Oregon return
C. It may be a subtraction on the Oregon return
D. Taxpayer may qualify for a similiar credit on their Oregon return

15. If you are unable to itemize your deductions on your federal return:

A. You may use itemized deductions on your Oregon return
B. Must use the standard deduction on your Oregon return
C. Must use itemized deductions on your Oregon return
D. May use the standard deduction on your Oregon return
E. Either A or D whichever gives you the best deduction

16. A taxpayer, age 64, is retired with a Public Employees Retirement Service pension. What amount of the pension can be subtracted on the Oregon return?

A. Up to $2,400
B. None, as taxpayer is too young
C. Up to $1,200
D. Up to $3,400
E. The entire amount included in federal AGI

17. Which of the following are not taxable on your Oregon return?

A. Series E bond interest
B. Interest on second trusts and notes
C. Interest on Washington state bonds
D. Capital gain dividends

18. to qualify for the homeowner and /or renter refund you must:

A. Be a resident of Oregon for the entire year
B. Have household income of less than $17,500
C. Own an Oregon residence as your principal living place December 31
D. Rent an Oregon residence during the year and not be an Oregon homeowner on December 31
E. All of the above

19. To compute the homeowner or renter refund:

- A. You use only your income from wages, interest, and self-employment
- B. You use only the income included in your federal return
- C. You use the total household income of both you and your spouse that lived with you on December 31
- D. You are not allowed to deduct your IRA deduction

20. An individual who is required to file a federal return because self-employment income is $900 net:

- A. Does not have to file an Oregon return because gross income does not meet Oregon filing requirements
- B. Is required to file in Oregon
- C. Will have Oregon tax to pay
- D. None of the above

21. To qualify for the construction workers commuting costs deduction on your Oregon return:

- A. You must travel more than 35 miles to get to your job each day
- B. You must travel more than 50 miles to get to your job each day
- C. You must live away from home
- D. You must have taken the expenses on the federal return

22. Oregon's estimated tax program:

- A. Is identical to federal, requiring quarterly payments and penalties for nonpayment
- B. Is optional to the taxpayer
- C. Requires quarterly payments but no penalty for underestimate
- D. Requires semi-annual payments with a built-in penalty program

23. The political contribution credit on the Oregon return is?

- A. 50% of your total political contributions
- B. 50% of your total political contributions, but not more than $30 on a single return
- C. 50% of your total political contributions, but not more than $50 on a joint return
- D. 50% of your federal deduction

24. When computing your household income for the property or renter refund, how may business losses be deducted?

A. The entire loss may be deducted
B. The loss is limited to $500
C. None of the loss may be deducted
D. The loss is limited to $1,000

25. Which of the following would not be included in household income on Form 70R?

A. Disability pay
B. G. I. bill for education
C. Gifts of $400
D. Grants for education of $500
E. Food stamps and surplus food
F. Child support
G. Return of capital dividends
H. $100 dividend exclusion
I. Inheritances
J. Costs in your pension
K. Reimbursed medical expenses
L. G.I. educational subsistence

26. An individual who is not a resident of Oregon for the entire year will be taxed on which of the following:
A. Interest left on deposit in an Oregon bank
B. Dividends received from an Oregon-based company
C. Rental income from a home whose situs is in Oregon
D. Union pension which was earned while an Oregon resident
E. Sale of property in the Medford, OR area
F. Alimony received from your ex-spouse who lives in Portland, OR.
G. Wages earned in Portland, OR. Your residence is in Vancouver, WA.

27. A resident of Oregon is allowed a disability credit for the loss or function of:

A. two or more limbs
B. both eyes
C. both ears
D. all of the above

28. In which of the following circumstances would a married couple be able to file married filing separate on their Oregon return even if they filed married filing joint on their federal return?

A. Both spouses Oregon residents. The husband had substantial income from the State of Washington.
B. Both spouses California residents. The only Oregon income was a rental owned by the wife.
C. The husband a Washington resident all year. The wife moved to Oregon on January 1 and had wages for the year. Husband had no Oregon income.
D. Husband 12-month Oregon resident, wife 6-month resident

29. Nonresidents are taxed on income:

A. Only from sources within Oregon
B. From all sources, in and out of Oregon
C. Only from adjusted gross income shown on federal return
D. All of the above
E. None of the above

30. Circle the following items which, if included in federal adjusted gross income, are subtracted on the Oregon return:

A. U.S. savings bond interest
B. Civil service pension up to $3,400, taxpayer age 62
C. Long-term capital gains
D. Wages paid by the state of Oregon
E. Oregon income tax refund
F. Military pay, active duty, up to $3,000
G. Pension paid by the state of Oregon
H. Property tax refund

31. A part-year resident must include in Oregon taxable income:

A. All taxable income for the year
B. All income earned while a resident, plus any income earned from sources within Oregon while not a resident
C. a percentage of federal income, determined by total number of months of residence in Oregon

32. A part-year resident may deduct how much of their employee business expenses?

A. A prorated amount figured by multiplying the total employee business expense by the percentage of Oregon income to federal income
B. A prorated amount figured by multiplying the total employee expense by a percentage determined by total number of months of residence in Oregon
C. The amount actually pertaining to Oregon employment
D. A part-year resident may not deduct employee business expenses

33. Oregon has an additional benefit for the "severely disabled".

A. It is a credit
B. It is a subtraction
C. It is an additional exemption
D. It is available to only those over 65 yrs. of age

34. Oregon changes to income include:

A. Depreciation
B. All Savers interest
C. Interst/dividend exclusion
D. Residence sales
E. All of the above
F. a, b, and d

KEY TO EXERCISES: Session 7

1. An individual whose intent is to make Oregon his permanent home. It is where his residence and financial life is centered or is where they intend to return to.

2. Federal income tax

3. State AGI $1,500 $1,050

4. None

5. $7,000 ($3,500 married filing separate)

6. False

7. All of it. Same as federal

8. 15%

9. As a credit. Limited to 50% of the contribution or $25 on a single return, $50 on a joint return

10. A. Federal income tax (maximum amount $7,000; $3,500 for married filing separate)
    B. Oregon income tax refund included in the federal AGI
    C. U.S. Government obligations (Series E. or H bonds interest)
    D. U.S. Public Retirement ($3,400 Maximum) See question 18 for limitations
    E. Military active duty pay up to a maximum of $3,000
    F. Oregon retirement income included in the federal AGI
    G. Construction workers commuting costs
    H. Federal jobs tax credit
    I. Adoption expenses
    J. American Indian earnings

There are other subtractions per Publication 17 1/2

11. Oregon income tax

12. $525; $750

13. Yes (must include Schedule A for Oregon only)

14. No

15. Yes

16. B,D.F.G

17. All of ones used, None

18. 62 and older exclude first $3,400; under 62 exclude first $3,400 reduced $1 for $[illegible] of earned income. Household income must be under $25,000 in both cases. Military retirees must be over 65 for exclusion and exclusion is reduced $1 for $1 of earned income. Household income test also applies.

19. Exclude the taxable income included in the federal AGI

20. Exclude the first $3,000 of active duty only

21. Exclude the first $3,000 of FICA wages of W-2

22. A. Interest on out-of-state municipal bonds
    B. Federal income tax refunds from prior years. (if received tax benefit)
    C. Lump sum distributions of profit sharing plans that are not included in the federal AGI. (Taxpayer gets capital gains deduction on portion representing capital gain)
    D. Percentage depletion in excess of the basis.
    E. Inherited farm property with a basis different for Oregon than federal (when sold). Inherited farmland valued at farm use value on Oregon inheritance tax return.

23. 40%

24. $50

25. An additional exemption

26. Actual expenses of gas, oil and maintenance for a taxpayer who commutes over 50 miles. (limited to the first year of each job)

27. Taxpayer must live on rented property subject to property tax in the state of Oregon during the year. There is no income limitation for renters. Taxpayer must not own a personal residence at 12/31.

28. Taxpayer must have a % ownership in a home he resides in in the state of Oregon Dec. 31 of the year, and have household income of less than $17,500.

29. Only one roommate can take the credit. They include the total rent paid.

30. No. If you own or rent the land you may get the credit based on the land.

31. No. Only one tax lot is allowed.

32. If married, all income of both spouses. (If they are living together at the end of the year).

33. $1,000

34. A. Return of capital dividends
    B. Return of premium on life insurance policies
    C. Oregon property tax and renter refunds
    D. Reimbursed medical expenses
    E. Return of cost in a pension
    F. Food stamps or surplus food
    G. Gifts and grants under $500
    H. Federal grants to improve your home
    I. Ministers' housing allowance if it does not exceed expenses

35. It reduces it

36. Total household income

37. 4.7% for PTR. 17% for HARRP (subject to max. amt.)

38. Yes. The 3% and 1% of medical deductions is computed on the Oregon adjusted gross income, not the federal AGI.

39. The business income of a taxpayer would be the federal net Schedule C usingOregon depreciation, not federal depreciation. This item then would be adjusted by the depreciation adjustment under Oregon changes to income.

SESSION 2

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 1981 (0) SITUATION 1

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 | OMB No. 1545-0074

label. Other-wise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name: TOM R. + MARY S. BROWN
Your social security number: 509 22 4487
Present home address (Number and street, including apartment number, ~~or rural route~~): 45 E. SKYLINE DRIVE
Spouse's social security no.: 498 58 2820
City, ~~town or post~~ office, State and ZIP code: PLEASANT VALLEY, OREG 97654
Your occupation ▶ RETIRED
Spouse's occupation ▶ HOUSEWIFE

Presidential Election Campaign
▶ Do you want $1 to go to this fund? ☒ Yes ☐ No
▶ If joint return, does your spouse want $1 to go to this fund? ☒ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status
Check only one box.
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.
6a ☒ Yourself ☒ 65 or over ☐ Blind
b ☒ Spouse ☒ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 4
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
e Total number of exemptions claimed .... Add numbers entered in boxes above ▶ 4

Income
Please attach [illegible] B of your [illegible] W-2 here.
If you do not have a W-2, see page 5 of Instructions.
Please attach check or money order here.

7	Wages, salaries, tips, etc.			7	
8a	Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	1205		
b	Dividends (attach Schedule B if over $400)	8b	2400		
c	Total. Add lines 8a and 8b	8c	3605		
d	Exclusion (See page 9 of Instructions)	8d	400		
e	Subtract line 8d from line 8c (but not less than zero)			8e	3205
9	Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	
10	Alimony received			10	
11	Business income or (loss) (attach Schedule C) ▶			11	
12	Capital gain or (loss) (attach Schedule D)			12	
13	40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14	Supplemental gains or (losses) (attach Form 4797)			14	
15	Fully taxable pensions and annuities not reported on line 16			15	5100
16a	Other pensions and annuities. Total received	16a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18	Farm income or (loss) (attach Schedule F) ▶			18	
19a	Unemployment compensation (insurance). Total received	19a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20	Other income (state nature and source—see page 11 of Instructions) ▶ GAMBLING WINNINGS			20	5000
21	Total income. Add amounts in column for lines 7 through 20 ▶			21	13,305

Adjustments to Income
(See Instructions on [illegible] 11)

22	Moving expense (attach Form 3903 or 3903F)	22			
23	Employee business expenses (attach Form 2106)	23			
24	Payments to an IRA (enter code from page 11 ....)	24			
25	Payments to a Keogh (H.R. 10) retirement plan	25			
26	Interest penalty on early withdrawal of savings	26			
27	Alimony paid	27			
28	Disability income exclusion (attach Form 2440)	28			
29	Other adjustments—see page 12 ▶	29			
30	Total adjustments. Add lines 22 through 29 ▶			30	

Adjusted Gross Income

31	Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	13,305

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O—343-057 95-0875140

Tax Computation

(See Instructions on page 12)

32a	Amount from line 31 (*adjusted gross income*)			32a	13,305
32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41			32b	0
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*				
32c	Subtract line 32b from line 32a			32c	13305
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e			33	4000
34	Taxable Income. Subtract line 33 from line 32c			34	9305
35	Tax. Enter tax here and check if from ☑ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726			35	929
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax			36	
37	Total. Add lines 35 and 36 ▶			37	929

Credits

(See Instructions on page 13)

38	Credit for contributions to candidates for public office	38	25		
39	Credit for the elderly (*attach Schedules R&RP*)	39	150		
40	Credit for child and dependent care expenses (attach Form 2441)	40			
41	Investment credit (*attach Form 3468*)	41			
42	Foreign tax credit (*attach Form 1116*)	42			
43	Work incentive (WIN) credit (*attach Form 4874*)	43			
44	Jobs credit (*attach Form 5884*)	44			
45	Residential energy credit (*attach Form 5695*)	45			
46	Total credits. Add lines 38 through 45			46	175
47	Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	754

Other Taxes

(Including Advance EIC Payments)

48	Self-employment tax (*attach Schedule SE*)			48	
49a	Minimum tax. Attach Form 4625 and check here ▶ ☐			49a	
49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐			49b	
50	Tax from recomputing prior-year investment credit (*attach Form 4255*)			50	
51a	Social security (FICA) tax on tip income not reported to employer (*attach Form 4137*)			51a	
51b	Uncollected employee FICA and RRTA tax on tips (*from Form W–2*)			51b	
52	Tax on an IRA (*attach Form 5329*)			52	
53	Advance earned income credit (EIC) payments received (*from Form W–2*)			53	
54	Total tax. Add lines 47 through 53 ▶			54	754

06

Payments

Attach Forms W–2, W–2G, and W–2P to front.

55	Total Federal income tax withheld	55	500		
56	1981 estimated tax payments and amount applied from 1980 return	56			
57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57			
58	Amount paid with Form 4868	58			
59	Excess FICA and RRTA tax withheld (two or more employers)	59			
60	Credit for Federal tax on special fuels and oils (*attach Form 4136 or 4136–T*)	60			
61	Regulated Investment Company credit (*attach Form 2439*)	61			
62	Total. Add lines 55 through 61 ▶			62	500

Refund or Balance Due

63	If line 62 is larger than line 54, enter amount OVERPAID ▶			63	
64	Amount of line 63 to be REFUNDED TO YOU ▶			64	
65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65			
66	If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66	254

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature

Date

Check if self-employed ▶ ☐

Preparer's social security no. xxx xx xxxx

Firm's name (or yours, if self-employed) and address ▶

E.I. No. ▶

ZIP code ▶

Schedules A&B (Form 1040) 1981

Schedule B—Interest and Dividend Income

OMB No. 1545–0074

Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)
TOM R. + MARY S. BROWN

Your social security number
509 22 4487

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	
PLAZA BANK + TRUST	695
FIRST NATL. BANK	310
SERIES E BONDS	200
1b Total. Add above amounts	1205
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	
1d Total	
1e Exclusion (See page 20 of Instructions)	
1f Subtract line 1e from line 1d. Caution: *No part of the amount on line 1f may be excluded on Form 1040, line 8d.*	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	1205

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount
3 A.T. + T.	2400
4 Total. Add above amounts	2400
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	
6 Nontaxable distributions (See Instructions for adjustment to basis)	
7 Total (add lines 5 and 6)	
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	2400

B

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520–A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-059

Schedules A&B
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: Tom R. + Mary S. Brown

Your social security number: 509 22 4487

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		150
2 Medicine and drugs	136	
3 Enter 1% of Form 1040, line 31	133	
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		3
5 Balance of insurance premiums for medical care not entered on line 1		320
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc.		70
b Hospitals		
c Transportation		65
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
7 Total (add lines 4 through 6d)		458
8 Enter 3% of Form 1040, line 31		399
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero		59
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 ▶		209

Taxes (See page 18 of Instructions.)

11 State and local income	287
12 Real estate	386
13 a General sales (see sales tax tables)	
b General sales on motor vehicles	
14 Personal property	
15 Other (itemize) ▶	
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶	673

Interest Expense (See page 18 of Instructions.)

17 Home mortgage	886
18 Credit and charge cards	
19 Other (itemize) ▶	
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	886

Contributions (See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)	306
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶	
22 Other than cash (see page 19 of Instructions for required statement)	
23 Carryover from prior years	
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	306

Casualty or Theft Loss(es) (You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)

25 Loss before reimbursement	
26 Insurance or other reimbursement you received or expect to receive	
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero	
28 Enter $100 or amount from line 27, whichever is smaller	
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶	

Miscellaneous Deductions (See page 19 of Instructions.)

30 a Union dues	
b Tax return preparation fee	35
31 Other (itemize) ▶ Gambling Losses	300
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶	335

Summary of Itemized Deductions **A**
(See page 20 of Instructions.)

33 Total medical and dental—from line 10	209
34 Total taxes—from line 16	673
35 Total interest—from line 20	886
36 Total contributions—from line 24	306
37 Total casualty or theft loss(es)—from line 29	
38 Total miscellaneous—from line 32	335
39 Add lines 33 through 38	2409
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 1 or 4, enter $2,300 3, enter $1,700	3400
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) ▶	Oregon Only

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

FULL-YEAR RESIDENTS ONLY

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ________

For office use only		
Code Tax	P & I	Payment
Date received	Postmark date	Penalty date

Last name Brown	First name and initial Ira R.	Social Security number 509 22 4487
Spouse's last name if different and joint return	Spouse's first name and initial if joint return Mary S.	Spouse's Social Security number 498 58 2820

Mailing address 45 E. Skyline Drive
Telephone number 882-7630
City Pleasant Valley State Or ZIP Code 97654 County Blue

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No
If NO, give reason: ________

For office use only

Filling Status

Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ________ (Spouse's name)
4 ☐ Unmarried head of household ________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X	X	☐	☐	2
Spouse	X	X	☐	☐	2
Dependents ________ (First names)					
Total exemptions claimed ●					4

1 Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10 .... 1 13,305

OREGON CHANGES TO INCOME

2 Interest received from All Savers Certificates .... ● 2
3 Changes in depreciation for Oregon .... ● 3
4 Other Oregon changes to federal income. Identify ________ ● 4
5 Oregon adjusted gross income. Add lines 1, 2, 3 and 4 .... 5 13,305

ADDITIONS

6 Interest on local government bonds of other states .... ● 6
7 Other additions. Identify ________ ● 7
8 Total additions. Add lines 6 and 7 8
9 Income after additions. Line 5 plus line 8 .... 9 13,305

SUBTRACTIONS

10 1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21 .... ● 10 754
11 Oregon income tax refund included in federal income (not property tax refund) .... ● 11
12 Interest from U.S. government, such as Series E and H bonds .... ● 12 200
13 U.S. public retirement income. Not more than $3,400. See instructions, page 21 .... ● 13 1800
14 Military active duty pay. Not more than $3,000. See instructions, page 22 .... ● 14
15 Oregon public retirement income .... ● 15 3300
16 Other subtractions. Identify ________ ● 16
17 Total subtractions. Add lines 10 through 16 .... 17 4254
18 Income after subtractions. Line 9 minus line 17 .... 18 9051

Attach W-2 wage slips and payment here

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

19 Amount from front of form, line 18		19	9051

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22. OR only line 23

20 Itemized deductions from Schedule A, line 39	• 20	2409		EITHER, NOT BOTH
21 State income tax claimed as an itemized deduction	• 21	287		
22 Net Oregon itemized deductions. Line 20 minus line 21	22	2122		
23 Standard deduction from table, page 10	23			
24 Exemptions. Multiply your total Oregon exemptions by $1,000	24	4000		
25 Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24			25	6122
26 Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-			• 26	2929

OREGON TAX

27 Oregon tax from rate charts, page 18	• 27	146		
28 Minimum tax. **Attach Schedule M** if you need to pay this extra tax	• 28			
29 Total tax. Add lines 27 and 28			29	146
30 Credit for the elderly, 15% of your federal credit for the elderly	• 30	23		
31 Child care credit, 40% of your federal child care credit	• 31			
32 Credit for income tax paid to another state. **Attach proof.** See page 28	• 32			
33 Political contribution credit. See limits, page 29. **Attach proof**	• 33	25		
34 Weatherization credit. For users of certain fuels. **Attach certificate.** See page 29	• 34			
35 Other credits. Identify ______	• 35			
36 Total credits. Add lines 30 through 35			36	48
37 Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-			37	98

TAX PAYMENTS MADE IN 1981

38 Oregon income tax withheld from wages. **Attach W-2 wage slips**	• 38			
39 Estimated tax payments for 1981	• 39			
40 Total tax already paid. Add lines 38 and 39			40	
41 Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40			• 41	
42 ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	• 42			These will reduce your refund
I wish to donate part of my tax refund to the following:				
43 Oregon Nongame Wildlife Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☐ None	• 43			
44 Oregon Arts Development Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☐ None	• 44			
45 Total. Add lines 42, 43 and 44. Total can't be more than line 41			45	
46 **NET REFUND.** Line 41 minus 45. This is your net refund			• 46	
47 **TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.			• 47	98
48 Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check • ☐. See page 31 of instructions.			• 48	

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.

Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ______ Date ______

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ______

Student Signature

Signature of preparer other than taxpayer ______ License no. ______

Address ______

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

FORM
70R

OREGON HOMEOWNER AND RENTER REFUND FORM

1981

Please print or type

Claimant's last name BROWN	Claimant's first name and initial TOM R	Social Security number 509 22 4487	Age 68
Spouse's last name if different	Spouse's first name & initial MARY S	Spouse's Social Security number 498 58 2820	Spouse's age 66
Mailing address 45 E. SKYLINE DR		Telephone number 882-7630	
City PLEASANT VALLEY	State OR	ZIP Code 97654	County BLUE

Did you file an Oregon Individual Income Tax Return for 1980? ☒ Yes ☐ No

For office use only

FILL IN lines 1 through 24 below if:
- You are a renter (no income limit), or
- You are a homeowner with household income less than $17,500, or
- You are a mobile home resident who pays rent (no income limit), or
- You own your mobile home AND land and have household income less than $17,500.

DON'T FILE this form if you have household income $17,500 or more, AND
- Own your home, OR
- Own BOTH your mobile home AND land.

WORK OR INVESTMENTS			
1 WAGES, SALARIES and other pay for work	1		
2 INTEREST, DIVIDENDS (total taxable and nontaxable)	2	3605	
3 BUSINESS NET INCOME (loss limited to $1,000)	3		
4 Farm net income (loss limited to $1,000)	4		
5 Total gain on property sales (loss limited to $1,000)	5		
6 Rental net income (loss limited to $1,000)	6		
7 Net operating loss carryback and carryforward (limited to $1,000)	7		
8 Other income from your federal return. Identify GAMBLING	8	5000	
9 Add lines 1 through 8	• 9		8605
RETIREMENT			
10 Social Security, Supplemental Security Income (SSI), Railroad Retirement (total for 1981)	10	2100	
11 Pension, annuity (total taxable and nontaxable received during 1981)	11	5100	
12 Add lines 10 and 11	• 12		7200
OTHER			
13 ADULT AND FAMILY SERVICES (Welfare)	• 13		
14 UNEMPLOYMENT	• 14		
15 CHILD SUPPORT	15		
16 Veteran's benefits, military pay and benefits	16		
17 Disability pay, life insurance proceeds, personal injury damages, strike benefits	17		
18 Workers' compensation, accident and health insurance payments	18		
19 Inheritances	19		
20 Gifts and grants: total amount minus $500	20		
21 Add lines 13 through 20	21		
22 Total. Add lines 9, 12 and 21	22		15805
23 Adjustments to income from federal Form 1040, lines 22 through 27 and line 29	• 23		
24 Your total household income. Line 22 minus line 23	• 24		15805

HOMEOWNERS — Now go to **section A** on the back of this form.
MOBILE HOME RESIDENTS — Now go to **section B** if you own your mobile home AND/OR land. Go to **section C** if you rent BOTH your mobile home AND land.
RENTERS — Now go to **section C** on the back of this form.

150-101-075 (10-81)

Complete only one section.

A **HOMEOWNERS** Owned on Dec. 31, 1981

25 Total ASSESSED VALUE of the home you owned and occupied Dec. 31, 1981. Attach your 1981-82 Property Tax Statement	• 25	25000	
26 Total PROPERTY TAX on your home. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments.	• 26	386	
27 MAXIMUM REFUND from the HARRP table for homeowners.	27	99	
28 SMALLER of line 26 or line 27	28	99	
29 Special Shelter Allowance (Aid to Dependent Children)	• 29		
30 YOUR HOMEOWNER REFUND. Line 28 minus line 29	• 30	99	00

B **MOBILE HOME OWNERS** Owned on Dec. 31, 1981

31 Total ASSESSED VALUE of your mobile home and/or land you owned and occupied on Dec. 31, 1981. Attach your 1981-82 property tax statement(s). (If you rented your home and land, file as a renter.)	• 31		
32 TOTAL PROPERTY TAX on your home and/or land. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments.	• 32		
33 TOTAL OREGON RENT for 1981 from Rental Schedule below.	• 33		
34 Optional: Refund amount from worksheet, line 22 or line 24 (if you filled out worksheet).	• 34		

C **RENTERS** Didn't own on Dec. 31, 1981

35 TOTAL OREGON RENT for 1981 from the Rental Schedule below	• 35		
36 Optional: Refund amount from worksheet, line 10 or line 23 (if you filled out worksheet).	• 36		

Check the box if you paid rent to a nursing home ☐ or a retirement (rest) home ☐.

SPECIAL PROGRAM FOR ELDERLY RENTERS

You may qualify for a larger refund. See instructions for Elderly Rental Assistance. Fill in line 37 if you qualify for the program.

37 Total fuel and utilities only (not telephone). DON'T INCLUDE RENT	• 37		

RENTAL SCHEDULE List the places you rented in Oregon and the rent you paid for 1981. Roommates: only one may file.

Your address(es): street, city, state	Roommates' names	Landlord(s)	1981 rental period From	To	Rent per month	Total

TOTAL RENT FOR 1981. Add the rent you paid for 1981. Fill in the total in this space. ....

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE ➧ Claimant's signature (Person listed first on front of form) Date

Student Signature

Signature of preparer other than taxpayer License no.

MAIL YOUR FORM 70R WITH YOUR OREGON INCOME TAX RETURN IF YOU FILE A RETURN.
Mail all others to: REFUND, P.O. Box 14700, Salem, OR 97310

YOU'LL GET YOUR REFUND IN OCTOBER 1982.

PART-YEAR RESIDENTS AND
NONRESIDENTS ONLY

FORM
40NR

OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

Situation 2A

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name Walters	First name and initial John A.	Social Security number
Spouse's last name if different and joint return	Spouse's first name and initial if joint return Judy	Spouse's Social Security number
Mailing address		Telephone number
City	State	ZIP Code	County

Did you file an Oregon income tax return for 1980? ☐ Yes ☒ No If NO, give reason: No Or. income

For office use only

☐ Nonresident
☒ Oregon resident from 2/20 to 12/31 1981

• Filing Status

Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ____________ (Spouse's name)
4 ☐ Unmarried head of household ____________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	☒	☐	☐	☐	1
Spouse	☒	☐	☐	☐	1
Dependents (First names)	2 children				2
Total exemptions claimed •					4

Attach W-2 wage slips and payment here

INCOME

			Total on your federal return		Oregon portion
1	Wages, salaries and other pay for work. **Attach W-2 wage slips**	1	11,000		8500
2	Interest 2a ______ PLUS dividends 2b ______ MINUS exclusion 2c ______	2			
3	State and local income tax refunds	3			
4	Alimony received	4			
5	Business income or loss from federal Schedule C	5			
6	Capital gain or loss from federal Schedule D	6			
7	40% of capital gain distributions not reported on Schedule D	7			
8	Supplemental gains or losses from Form 4797	8			
9	Pensions and annuities. Total of federal Form 1040 lines 15 and 16b	9			
10	Rents, royalties, partnerships, estates or trusts, from Schedule E	10			
11	Farm income or loss from federal Schedule F	11	2000		2000
12	Taxable unemployment and other taxable income from your federal return	12			
13	Total income. Add lines 1 through 13	13	13,000	•13	10500

ADJUSTMENTS TO INCOME

14	Moving expenses from federal Form 3903 or 3903F	14	500	500
15	Employee business expenses from federal Form 2106	15		
16	Payments to an IRA or Keogh plan	16		
17	Interest penalty on early withdrawal of savings	17		
18	Alimony paid	18		
19	Disability income exclusion and other adjustments from federal Form 1040	19		
20	Total adjustments to income. Add lines 14 through 19	20	500	500
21	Income after adjustments. Line 13 minus line 20	21	12500	10,000

OREGON CHANGES TO INCOME

			Federal Portion		Oregon portion
22	Interest received from All Savers Certificates	• 22			
23	Changes in depreciation for Oregon	• 23			
24	Other Oregon changes to federal income. Identify ______	• 24			
25	Total Oregon changes. Add lines 22, 23 and 24	25		•25	
26	Income after Oregon changes. Add lines 21 and 25	26a	12,500	•26b	10,000

27 Oregon percentage. Fill in the boxes below

Line 26b	Divided by	Line 26a	Equals		Oregon %
10,000	÷	12,500	=	27	80.0 (Not more than 100%)

NOW GO TO THE BACK OF THE FORM →

150-101-048 (9-81)

28	Amount from front of the form, line 28b			28	10,000

ADDITIONS

29	Interest on municipal bonds of states other than Oregon	• 29			
30	Other additions. Identify ______	• 30			
31	Total additions. Add lines 29 and 30			31	
32	Income after additions. Line 28 plus line 31			32	10,000

SUBTRACTIONS

33	Interest from U.S. Government, such as Series E and H bonds	• 33			
34	U.S. public retirement income, not more than $3,400. See instructions, page 16	• 34			
35	Military active duty pay, not more than $3,000. See instructions, page 16	• 35			
36	Oregon public retirement income	• 36			
37	Other subtractions. Identify ______	• 37			
38	Total subtractions. Add lines 33 through 37			38	
39	Income after subtractions. Line 32 minus line 38			39	10,000

DEDUCTIONS AND EXEMPTIONS

Deductions. Fill in lines 40, 41, & 42 OR only line 43

40	Itemized deductions from your federal Schedule A, line 39	• 40	5400		
41	State income tax claimed as an itemized deduction. See instructions, page 18	• 41	350		
42	Net Oregon itemized deductions. Line 40 minus line 41	42	5050		
43	Standard deduction from table on page 23	43			
44	1981 federal tax (Maximum $7,000 OR $3,500 if married filing separately)	• 44	450		
45	Exemptions. $1,000 multiplied by your number of exemptions	45	4000		
46	Total deductions and exemptions. Add lines 42, 44 and 45 OR lines 43, 44 and 45	46	9500		
47	Allowable percentage from the front of the form, line 27	47	80.0		
48	Allowable deductions and exemptions. Multiply line 46 by line 47			48	7600
49	Oregon taxable income. Line 39 minus line 48			• 49	2400

EITHER, NOT BOTH

OREGON TAX

50	Oregon tax from rate chart, page 23	• 50	114		
51	Minimum Tax. Attach Schedule M if you must pay this extra tax	• 51			
52	Total tax. Add line 50 and line 51			52	114

CREDITS

53	Credit for the elderly. See instructions, page 19	• 53			
54	Child care credit. See instructions, page 19	• 54			
55	Credit for income tax paid to another state. Attach proof. See page 20	• 55			
56	Political contribution credit. Attach copy of receipt or canceled check	• 56			
57	Other credits. Identify ______	• 57			
58	Total credits. Add lines 53 through 57			58	
59	Net income tax. Line 52 minus line 58. If line 58 is more than line 52, enter -0-.			59	114

TAX PAYMENTS MADE IN 1981

60	Oregon income tax withheld from wages. Attach W-2 wage slips	• 60	350		
61	Estimated tax payments for 1981	• 61			
62	Total tax already paid. Add line 60 and line 61			62	350
63	Refund. If line 62 is more than line 59, you have a refund. Subtract line 59 from line 62			• 63	256 00
64	ESTIMATED TAX. Fill in all or part of line 63, you want to apply to your estimated 1982 tax	• 64			
65	NET REFUND. Subtract line 64 from line 63. This is your refund			• 65	
66	Tax-to-pay. If line 59 is more than line 62, you have tax-to-pay. Subtract line 62 from line 59			• 66	
67	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax			• 67	

If Form 10 is attached, check ☐. See page 22 of instructions.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

______ Your signature ______ Date

______ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Student Signature
Signature of preparer other than taxpayer ______ License no.

______ Address

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

150-101-040 (9-81) PAGE 2

PART-YEAR RESIDENTS AND NONRESIDENTS ONLY

FORM **40NR**

OREGON INDIVIDUAL INCOME TAX RETURN 1981

SITUATION 2b

For calendar year 1981 or fiscal year ending ________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name DOE	First name and initial	Social Security number
Spouse's last name if different and joint return	Spouse's first name and initial if joint return	Spouse's Social Security number
Mailing address		Telephone number
City	State / ZIP Code	County

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No If NO, give reason: ________

☒ Nonresident
☐ Oregon resident from ________ to ________ 1981

For office use only

Filing Status — Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ________ (Spouse's name)
4 ☐ Unmarried head of household ________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	☒	☐	☐	☐	1
Spouse	☒	☐	☐	☐	1
Dependents (First names)	4 CHILDREN				4
Total exemptions claimed ●					6

Attach W-2 wage slips and payment here

INCOME

			Total on your federal return		Oregon portion
1	Wages, salaries and other pay for work. Attach W-2 wage slips	1	16,290		—
2	Interest 2a 465 PLUS dividends 2b ____ MINUS exclusion 2c 400	2	65		—
3	State and local income tax refunds	3			
4	Alimony received	4			
5	Business income or loss from federal Schedule C	5			
6	Capital gain or loss from federal Schedule D	6			
7	40% of capital gain distributions not reported on Schedule D	7			
8	Supplemental gains or losses from Form 4797	8			
9	Pensions and annuities. Total of federal Form 1040 lines 15 and 16b	9			
10	Rents, royalties, partnerships, estates or trusts, from Schedule E	10	4535		4535
11	Farm income or loss from federal Schedule F	11			
12	Taxable unemployment and other taxable income from your federal return	12			
13	Total income. Add lines 1 through 13	13	20,890	●13	4535

ADJUSTMENTS TO INCOME

14	Moving expenses from federal Form 3903 or 3903F	14		
15	Employee business expenses from federal Form 2106	15		
16	Payments to an IRA or Keogh plan	16		
17	Interest penalty on early withdrawal of savings	17		
18	Alimony paid	18		
19	Disability income exclusion and other adjustments from federal Form 1040	19		
20	Total adjustments to income. Add lines 14 through 19	20		
21	Income after adjustments. Line 13 minus line 20	21	20,890	4535

OREGON CHANGES TO INCOME

			Federal Portion		Oregon portion
22	Interest received from All Savers Certificates	● 22			
23	Changes in depreciation for Oregon	● 23	102		102
24	Other Oregon changes to federal income. Identify ________	● 24			
25	Total Oregon changes. Add lines 22, 23 and 24	25	102	●25	102
26	Income after Oregon changes. Add lines 21 and 25	26a	20,788	●26b	4433

27 Oregon percentage. Fill in the boxes below.

Line 26b	Divided by	Line 26a	Equals	27	Oregon % (Not more than 100%)
4433	÷	20788	=	27	21.3

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

28	Amount from front of the form, line 26b			28	4433

ADDITIONS

29	Interest on municipal bonds of states other than Oregon	• 29			
30	Other additions. Identify ________	• 30			
31	Total additions. Add lines 29 and 30			31	
32	Income after additions. Line 28 plus line 31			32	4433

SUBTRACTIONS

33	Interest from U.S. Government, such as Series E and H bonds	• 33			
34	U.S. public retirement income not more than $3,400. See instructions, page 16	• 34			
35	Military active duty pay, not more than $3,000. See instructions, page 16	• 35			
36	Oregon public retirement income	• 36			
37	Other subtractions. Identify ________	• 37			
38	Total subtractions. Add lines 33 through 37			38	
39	Income after subtractions. Line 32 minus line 38			39	4433

DEDUCTIONS AND EXEMPTIONS

Deductions. Fill in lines 40, 41, & 42 OR only line 43

40	Itemized deductions from your **federal Schedule A**, line 39	• 40	4313	EITHER, NOT BOTH	
41	State income tax claimed as an itemized deduction. See instructions, page 18	• 41	0		
42	Net Oregon itemized deductions. Line 40 minus line 41	42	4313		
43	Standard deduction from table on page 23	43			
44	1981 federal tax (Maximum $7,000 OR $3,500 if married filing separately)	• 44	1861		
45	Exemptions. $1,000 multiplied by your number of exemptions	45	6000		
46	Total deductions and exemptions. Add lines 42, 44 and 45 OR lines 43, 44 and 45	46	12174		
47	Allowable percentage from the front of the form, line 27	47	21.3		
48	Allowable deductions and exemptions. **Multiply line 46 by line 47**			48	2593
49	Oregon taxable income. Line 39 minus line 48			• 49	1840

OREGON TAX

50	Oregon tax from rate chart, page 23	• 50	82		
51	Minimum Tax. **Attach Schedule M** if you must pay this extra tax	• 51			
52	Total tax. Add line 50 and line 51			52	82

CREDITS

53	Credit for the elderly. See instructions, page 19	• 53			
54	Child care credit. See instructions, page 19	• 54			
55	Credit for income tax paid to another state. **Attach proof.** See page 20	• 55			
56	Political contribution credit. **Attach copy of receipt or canceled check**	• 56			
57	Other credits. Identify ________	• 57			
58	Total credits. Add lines 53 through 57			58	
59	Net income tax. Line 52 minus line 58. If line 58 is more than line 52, enter -0-.			59	82

TAX PAYMENTS MADE IN 1981

60	Oregon income tax withheld from wages. **Attach W-2 wage slips**	• 60			
61	Estimated tax payments for 1981	• 61			
62	Total tax already paid. Add line 60 and line 61			62	
63	**Refund.** If line 62 is more than line 59, you have a refund. Subtract line 59 from line 62			• 63	
64	**ESTIMATED TAX.** Fill in all or part of line 63, you want to apply to your estimated 1982 tax	• 64			
65	Subtract line 64 from line 63. This is your refund			• 65	
66	If line 59 is more than line 62, you have tax-to-pay. Subtract line 62 from line 59			• 66	82 00
67	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check ☐. See page 22 of instructions.			• 67	

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ________ Date ________

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ________

Student Signature

Signature of preparer other than taxpayer ________ License no. ________

Address ________

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

150-101-046 (9-81) PAGE 2

NOT REQUIRED TO FILE OREGON 1982 ESTIMATE TAX UNDER $100

PART-YEAR RESIDENTS AND NONRESIDENTS ONLY

Situation 2C

FORM 40NR OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name Carlson	First name and initial William B	Social Security number
Spouse's last name if different and joint return	Spouse's first name and initial if joint return Betty S	Spouse's Social Security number
Mailing address		Telephone number
City	State	ZIP Code	County

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No If NO, give reason: ____________

☐ Nonresident
☒ Oregon resident from 1/1 to 7/4 1981

For office use only

• Filing Status

Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ____________ (Spouse's name)
4 ☐ Unmarried head of household ____________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse	X				1
Dependents ____________ (First names)					
Total exemptions claimed •					2

INCOME

			Total on your federal return	Oregon portion
1	Wages, salaries and other pay for work. Attach W-2 wage slips	1	6000	4500
2	Interest 2a 590 PLUS dividends 2b ____ MINUS exclusion 2c 400	2	190	190
3	State and local income tax refunds	3	200	200
4	Alimony received	4		
5	Business income or loss from federal Schedule C	5		
6	Capital gain or loss from federal Schedule D	6		
7	40% of capital gain distributions not reported on Schedule D	7		
8	Supplemental gains or losses from Form 4797	8		
9	Pensions and annuities. Total of federal Form 1040 lines 15 and 16b	9	3000	
10	Rents, royalties, partnerships, estates or trusts, from Schedule E	10	300	300
11	Farm income or loss from federal Schedule F	11		
12	Taxable unemployment and other taxable income from your federal return	12		
13	Total income. Add lines 1 through 13	13	10,190	•13 5190

ADJUSTMENTS TO INCOME

14	Moving expenses from federal Form 3903 or 3903F	14	800	—
15	Employee business expenses from federal Form 2106	15		
16	Payments to an IRA or Keogh plan	16		
17	Interest penalty on early withdrawal of savings	17		
18	Alimony paid	18		
19	Disability income exclusion and other adjustments from federal Form 1040	19		
20	Total adjustments to income. Add lines 14 through 19	20	800	—
21	Income after adjustments. Line 13 minus line 20	21	9390	5190

OREGON CHANGES TO INCOME

22	Interest received from All Savers Certificates	• 22		
23	Changes in depreciation for Oregon	• 23		
24	Other Oregon changes to federal income. Identify ____________	• 24		
25	Total Oregon changes. Add lines 22, 23 and 24	25		•25
26	Income after Oregon changes. Add lines 21 and 25	26a	9390	• 5190

27 **Oregon percentage.** Fill in the boxes below.

Line 26b	Divided by	Line 26a	Equals		Oregon %
5190	÷	9390	=	27	55.[illegible] (Not more than 100%)

Attach W-2 wage slips and payment here

NOW GO TO THE BACK OF THE FORM →

150-101-048 (9-81)

28	Amount from front of the form, line 28b		28 5190

ADDITIONS

29	Interest on municipal bonds of states other than Oregon	• 29	
30	Other additions. Identify ____	• 30	
31	Total additions. Add lines 29 and 30		31
32	Income after additions. Line 28 plus line 31		32 5190

SUBTRACTIONS

33	Interest from U.S. Government, such as Series E and H bonds	• 33	
34	U.S. public retirement income, not more than $3,400. See instructions, page 16	• 34	
35	Military active duty pay, not more than $3,000. See instructions, page 16	• 35	
36	Oregon public retirement income	• 36	
37	Other subtractions. Identify STATE REFUND	• 37 200	
38	Total subtractions. Add lines 33 through 37		38 200
39	Income after subtractions. Line 32 minus line 38		39 4990

DEDUCTIONS AND EXEMPTIONS

Deductions. Fill in lines 40, 41, & 42 OR only line 43

40	Itemized deductions from your federal Schedule A, line 39	• 40	EITHER, NOT BOTH
41	State income tax claimed as an itemized deduction. See instructions, page 18	• 41	
42	Net Oregon itemized deductions. Line 40 minus line 41	42	
43	Standard deduction from table on page 23	43 1271	
44	1981 federal tax (Maximum $7,000 OR $3,500 if married filing separately)	• 44 193	
45	Exemptions. $1,000 multiplied by your number of exemptions	45 2000	
46	Total deductions and exemptions. Add lines 42, 44 and 45 OR lines 43, 44 and 45	46 3464	
47	Allowable percentage from the front of the form, line 27	47 55.2.%	
48	Allowable deductions and exemptions. Multiply line 46 by line 47		48 1912
49	Oregon taxable income. Line 39 minus line 48		• 49 3078

OREGON TAX

50	Oregon tax from rate chart, page 23	• 50 155	
51	Minimum Tax. Attach Schedule M if you must pay this extra tax	• 51	
52	Total tax. Add line 50 and line 51		52 155

CREDITS

53	Credit for the elderly. See instructions, page 19	• 53	
54	Child care credit. See instructions, page 19	• 54	
55	Credit for income tax paid to another state. Attach proof. See page 20	• 55	
56	Political contribution credit. Attach copy of receipt or canceled check	• 56	
57	Other credits. Identify ____	• 57	
58	Total credits. Add lines 53 through 57		58
59	Net income tax. Line 52 minus line 58. If line 58 is more than line 52, enter -0-.		59 155

TAX PAYMENTS MADE IN 1981

60	Oregon income tax withheld from wages. Attach W-2 wage slips	• 60 210	
61	Estimated tax payments for 1981	• 61	
62	Total tax already paid. Add line 60 and line 61		62 210
63	Refund. If line 62 is more than line 59, you have a refund. Subtract line 59 from line 62		• 63 55 00
64	ESTIMATED TAX. Fill in all or part of line 63, you want to apply to your estimated 1982 tax	• 64	
65	NET REFUND. Subtract line 64 from line 63. This is your refund		• 65
66	Tax-to-pay. If line 59 is more than line 62, you have tax-to-pay. Subtract line 62 from line 59		• 66
67	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check ☐. See page 22 of instructions.		• 67

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ____ Date

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ____

Student Signature

Signature of preparer other than taxpayer ____ License No.

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

FULL-YEAR RESIDENTS ONLY

Situation 3

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name TYLER	First name and initial JOE B.	Social Security number 001 01 0011
Spouse's last name if different and joint return	Spouse's first name and initial if joint return CLARA A.	Spouse's Social Security number 100 10 1100
Mailing address 427 ELM ST.		Telephone number 555-6435
City SALEM	State OR · ZIP Code 97301	County LANE

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No
If NO, give reason: ____________

For office use only

Filing Status

Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ____________ (Spouse's name)
4 ☐ Unmarried head of household ____________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse	X				1
Dependents ____________ (First names)					
Total exemptions claimed ●					2

1 Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10 .... 1 | 19412

OREGON CHANGES TO INCOME

2 Interest received from All Savers Certificates .... ● 2 |
3 Changes in depreciation for Oregon .... ● 3 |
4 Other Oregon changes to federal income. Identify ____________ .... ● 4 |
5 Oregon adjusted gross income. Add lines 1, 2, 3 and 4 .... 5 | 19412

ADDITIONS

6 Interest on local government bonds of other states .... ● 6 |
7 Other additions. Identify ____________ .... ● 7 |
8 Total additions. Add lines 6 and 7 .... 8 |
9 Income after additions. Line 5 plus line 8 .... 9 | 19412

SUBTRACTIONS

10 1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21 .... ● 10 | 2232
11 Oregon income tax refund included in federal income (not property tax refund) .... ● 11 |
12 Interest from U.S. government, such as Series E and H bonds .... ● 12 |
13 U.S. public retirement income. Not more than $3,400. See instructions, page 21 .... ● 13 |
14 Military active duty pay. Not more than $3,000. See instructions, page 22 .... ● 14 |
15 Oregon public retirement income .... ● 15 |
16 Other subtractions. Identify ____________ .... ● 16 |
17 Total subtractions. Add lines 10 through 16 .... 17 | 2232
18 Income after subtractions. Line 9 minus line 17 .... 18 | 17180

Attach W-2 wage slips and payment

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

19	Amount from front of form, line 18		19 17180

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22 OR only line 23

20	Itemized deductions from Schedule A, line 39	• 20 4842	
21	State income tax claimed as an itemized deduction	• 21 1202	
22	Net Oregon itemized deductions. Line 20 minus line 21	22 3640	
23	Standard deduction from table, page 10	23	
24	Exemptions. Multiply your total Oregon exemptions by $1,000	24 2000	
25	Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24		25 5640
26	Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-		• 26 11540

EITHER, NOT BOTH

OREGON TAX

27	Oregon tax from rate charts, page 18	• 27 844	
28	Minimum tax. **Attach Schedule M** if you need to pay this extra tax	• 28	
29	Total tax. Add lines 27 and 28		29 844
30	Credit for the elderly, 15% of your federal credit for the elderly	• 30	
31	Child care credit, 40% of your federal child care credit	• 31	
32	Credit for income tax paid to another state. **Attach proof.** See page 28	• 32	
33	Political contribution credit. See limits, page 29. **Attach proof**	• 33	
34	Weatherization credit. For users of certain fuels. **Attach certificate.** See page 29	• 34	
35	Other credits. Identify ____________	• 35	
36	Total credits. Add lines 30 through 35		36
37	Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-		37 844

TAX PAYMENTS MADE IN 1981

38	Oregon income tax withheld from wages. **Attach W-2 wage slips**	• 38 1116	
39	Estimated tax payments for 1981	• 39	
40	Total tax already paid. Add lines 38 and 39		40 1116
41	Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40		• 41 272
42	ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	• 42	
	I wish to donate part of my tax refund to the following:		
43	Oregon Nongame Wildlife Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☒ None	• 43	
44	Oregon Arts Development Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☒ None	• 44	
45	Total. Add lines 42, 43 and 44. Total can't be more than line 41		45
46	**NET REFUND.** Line 41 minus 45. This is your net refund		• 46 272
47	**TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.		• 47
48	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax If Form 10 is attached, check ☐. See page 31 of instructions.		• 48

These will reduce your refund

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.
Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

___________________________ Your signature ___ Date

___________________________ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Student Signature
Signature of preparer other than taxpayer ___ License no.

___________________________ Address

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310
Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

FULL-YEAR RESIDENTS ONLY

SITUATION 4

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name TAXPAYER	First name and initial IMA	Social Security number 321 54 9976
Spouse's last name if different and joint return	Spouse's first name and initial if joint return	Spouse's Social Security number
Mailing address 124 N.E. TERRACE CT.		Telephone number 653-0728
City PORTLAND	State Or	ZIP Code 97222
County MULTNOMAH		

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No

If NO, give reason: ____________

For office use only

Filling Status

Check only one box

1 ☐ Single

2 ☐ Married filing jointly

3 ☐ Married filing separately ____________ (Spouse's name)

4 ☒ Unmarried head of household SALLY (Person who qualifies you)

5. ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse					
Dependents ____________ (First names)					
Total exemptions claimed ●					1

1	Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10	1	16,162

OREGON CHANGES TO INCOME

2	Interest received from All Savers Certificates	● 2	500	
3	Changes in depreciation for Oregon	● 3		
4	Other Oregon changes to federal income. Identify ____________	● 4		
5	Oregon adjusted gross income. Add lines 1, 2, 3 and 4	5		16,662

ADDITIONS

6	Interest on local government bonds of other states	● 6		
7	Other additions. Identify ____________	● 7		
8	Total additions. Add lines 6 and 7	8		
9	Income after additions. Line 5 plus line 8	9		16,662

SUBTRACTIONS

10	1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21	● 10	2321	
11	Oregon income tax refund included in federal income (not property tax refund)	● 11	112	
12	Interest from U.S. government; such as Series E and H bonds	● 12		
13	U.S. public retirement income. Not more than $3,400. See instructions, page 21	● 13		
14	Military active duty pay. Not more than $3,000. See instructions, page 22	● 14		
15	Oregon public retirement income	● 15		
16	Other subtractions. Identify ____________	● 16		
17	Total subtractions. Add lines 10 through 16	17		2433
18	Income after subtractions. Line 9 minus line 17	18		14229

Attach W-2 wage slips and payment here

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

19	Amount from front of form, line 18		19	14,229

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22. OR only line 23

20	Itemized deductions from Schedule A, line 39	● 20	3002	EITHER, NOT BOTH
21	State income tax claimed as an itemized deduction	● 21	1240	
22	Net Oregon itemized deductions. Line 20 minus line 21	22	1762	
23	Standard deduction from table, page 10	23		
24	Exemptions. Multiply your total Oregon exemptions by $1,000	24	1000	
25	Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24	25		2762
26	Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-	● 26		11,467

OREGON TAX

27	Oregon tax from rate charts, page 18	● 27	837	
28	Minimum tax. **Attach Schedule M** if you need to pay this extra tax	● 28		
29	Total tax. Add lines 27 and 28	29		837
30	Credit for the elderly, 15% of your federal credit for the elderly	● 30		
31	Child care credit, 40% of your federal child care credit	● 31		
32	Credit for income tax paid to another state. **Attach proof.** See page 28	● 32		
33	Political contribution credit. See limits, page 29. **Attach proof**	● 33		
34	Weatherization credit. For users of certain fuels. **Attach certificate.** See page 29	● 34		
35	Other credits. Identify ______	● 35		
36	Total credits. Add lines 30 through 35	36		
37	Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-	37		837

TAX PAYMENTS MADE IN 1981

38	Oregon income tax withheld from wages. **Attach W-2 wage slips**	● 38	1240	
39	Estimated tax payments for 1981	● 39		
40	Total tax already paid. Add lines 38 and 39	40		1240
41	Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40	● 41		403
42	ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	● 42		These will reduce your refund
	I wish to donate part of my tax refund to the following:			
43	Oregon Nongame Wildlife Fund $1 ☒, $5 ☐, $10 ☐, Other $______, ☐ None	● 43	1	
44	Oregon Arts Development Fund $1 ☐, $5 ☒, $10 ☐, Other $______, ☐ None	● 44	5	
45	Total. Add lines 42, 43 and 44. Total can't be more than line 41	45		6
46	**NET REFUND.** Line 41 minus 45. This is your net refund	● 46		397 00
47	**TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.	● 47		
48	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check ● ☐. See page 31 of instructions.	● 48		

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.
Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

➡ ______ Your signature ______ Date

➡ ______ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Student Signature
Signature of preparer other than taxpayer ______ License no.

______ Address

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310
Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

KEY TO QUIZ - Session VIII

1. B
2. D
3. A
4. Oregon (line 5) - C
5. B
6. D
7. D,F
8. C
9. A
10. D
11. C
12. B
13. D
14. A
15. E
16. E
17. A
18. C,D
19. C
20. B
21. B
22. A
23. C
24. D
25. C,E,G,J,K
26. C,E,G
27. A
28. C,D
29. A
30. A,B,E,F,G
31. B
32. C
33. C
34. F

SESSION IX
MID-TERM EXAMINATION

Reading Assignment	Review of first 8 sessions	
Forms needed for mid term problem prepared before class to turn in	1040 A/B 40NR 70R	 3903

I. Review

   A. Review quizzes taken in previous sessions

   B. Answer all questions students have at this time

   C. Collect problems to be graded

II. Teaching Hints: Mid-Term exam should be given in two parts:

   *A. Question portion

   (Smoke and coffee break)

   *B. Problem portion

   C. Key to Exam

   D. Key to Student Problem

V. Reading assignment

VI. Mid-Term Examination

*TEACHER NOTE: The exam may be too long for a 3-hour session. A suggestion would be to place a time limit on each section of the test, the student turning in the portion completed at that time, completing the balance of the test at home as an assignment for the next session so that the material will be covered and available to the student for study.

KEY TO MID-TERM EXAM - Session 1X

1. c

2. b

3. c

4. b

5. a

6. medical
   taxes
   interest
   contributions
   casualty and theft losses
   miscellaneous

7. self-employment tax

8. Yes

9. Interest is payment received for the use of money. Dividends are payments from the earnings and profits of a corporation to its stockholders.

10. $12,000. ($7400 + 4200 + 400)

11. Taxpayers whose income consists only of wages, salaries, tips, or other employee compensation and interest and dividends

12. $200 (The first $200 of interest and ordinary dividends from domestic corporations)

13. Tax liability is the amount of tax that must be paid for the amount of income the taxpayer has received. Tax due is the amount still owed on the tax liability after withholding and other payments are subtracted.

14. No

15. Five

16. Personal, dependency

17. $2,700 ($2350 AGI + 1350 unused ZBA - 1000 exemption)

18. Married filing jointly

19. Head of household

20. Total income less any allowable adjustments to income.

21. 14%

22. ZBA is a se[illegible] minimum amt of income that is not subject to taxation. The amount is based on a taxpayer's filing status.

23. $150

24. $525

25. $500 (half-year only)

26. b

27. d

28. a Yes

29. False
False
False
True
True

30. Federal: No
Oregon: Yes

31. a

32. Federal: yes
Oregon: yes

33. a. $4275
b. Yes
c. Yes

34. Federal: No
Oregon: No

35. Federal: Yes
Oregon: Yes

36. F

37. T

38. F

39. F

40. T

41. F

42. F

43. F

44. F

45. F

46. T

47. T

48. F

49. T

50. T

51. F

52. F

53. T

54. T

55. a. T
b. F

56. a. T
b. T

57. T

58. F

59. F

60. a. F
b. T

61. a. T
b. T
c. F

62. T

63. T

64. T

65. T

66. F

67. T

68. a. T
b. T
c. F
d. T

69. T

70. F

71. T

72. F

73. T

74. F
75. F
76. F
77. F
78. a. F
    b. T
    c. T
79. T
80. T
81. T
82. T
83. F
84. T
85. F
86. T
87. T
88. F
89. F
90. F
91. T
92. F
93. $9,000

94. a. $1,700
    b. $3,400
    c. $2,300
    d. $3,400
95. $120
96. $150
97. $500
98. $610
99. $940
100. $2,200
101. $2,000
102. 4/15/82
103. 9 cents
104. $2,000
105. a. 4
     b. 6
106. 1981
107. a. Yes
     b. No
108. 1: N 2: C
     3: U 4: Q
     5: R 6: M
     7: V 8: J
     9: E 10: P
109. C
110. B
111. C
112. C
113. D

114. C
115. C
116. E
117. A
118. B
119. E
120. C
121. C
122. B
123. D
124. B
125. B
126. A
127. D
128. C
129. C
130. F
131. F
132. F
133. T

134. 2
135. 2
136. T
137. F
138. F
139. F
140. T
141. T
142. F
143. F
144. T
145. T
146. F
147. a. Seller
     b. Purchaser
     c. Seller
148. a. $150
     b. -0-
     c. $50
149. d
150. d
151. $3,000;
     $1,500
152. a. No
     b. Yes
     c. Yes
153. b
154. 20 cents
     15,000 mls
     11 cents
155. $1,500;
     $1,750

157. $7,500, 15%

158. T

159. a. Yes
  b. No
  c. Yes
  d. Yes

160. c

161. d

162. a. $600 month
  b. $600 month
  c. $300 month

163. b

164. a

165. T

166. F

167. b

168. F

169. F

170. b

171. F

172. F

173. F

174. F

175. None

176. T

177. T

178. a. $14,400
  b. $20,000

179. e

180. d (Teacher: Refer to Pub. 526 for assistance in teaching Bargain Sales)

181. e

182. a. $2,900
  b. $5,000

183. T

184. a. $750
  b. b. $500 (H) -0- (W)

185. $1,500

186. F
187. F

MID-TERM PROBLEMS:

A. Schedule A follows

B. Form 3903 follows

C. Form 2106 follows

D. Support Test

monthly
  360 Food, Lodging
+ 60 Utilities
  420
x12 = 5040 div. by 3 = 1680 each

John		Joan
1680		1680
500	Child Care	
+ 750	Med/Clothing	500
2930		2180
2930		2180
-1200	Support Rec'd	-1200
1730	Mother's Support	980

The mother can claim John.
The father can claim Joan.

MID-TERM PROBLEMS:

E. Unemployment:

- a. c. $1,000
- b. e. $1,200

F. Tax Benefit Law:

- a. $150
- b. $100
- c. $200
  - Income Tax $150
  - Property Tax $50
- d. $50

G. Schedule B follows

- a. $80
- b. Oregon additions:

City of L.A. bonds	$60

Oregon subtractions:

Series E bonds	$20

T/SES9/6

MID-TERM: H

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: PAUL & MARY COBBLER

Your social security number:

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) *(See page 17 of Instructions.)*

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		150
2 Medicine and drugs	220	
3 Enter 1% of Form 1040, line 31	160	
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		60
5 Balance of insurance premiums for medical care not entered on line 1		330
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc. 99 <59>		40
b Hospitals 240 <60>		180
c Transportation		
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
GLASSES		80
7 Total (add lines 4 through 6d)		690
8 Enter 3% of Form 1040, line 31		480
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero		210
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 ▶		360

Taxes *(See page 18 of Instructions.)*

11 State and local income	464
12 Real estate	211
13 a General sales (see sales tax tables)	184
b General sales on motor vehicles	
14 Personal property	63
15 Other (itemize) ▶	
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶	922

Interest Expense *(See page 18 of Instructions.)*

17 Home mortgage	820
18 Credit and charge cards	106
19 Other (itemize) ▶	
FIRST NATL. BANK	120
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	1046

Contributions *(See page 19 of Instructions.)*

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)	1525
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶	
22 Other than cash (see page 19 of Instructions for required statement)	
23 Carryover from prior years	
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	1525

Casualty or Theft Loss(es) *(You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)*

25 Loss before reimbursement	
26 Insurance or other reimbursement you received or expect to receive	
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero	
28 Enter $100 or amount from line 27, whichever is smaller	
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶	

Miscellaneous Deductions *(See page 19 of Instructions.)*

30 a Union dues	
b Tax return preparation fee	
31 Other (itemize) ▶	
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶	

Summary of Itemized Deductions *(See page 20 of Instructions.)* **A**

33 Total medical and dental—from line 10	360
34 Total taxes—from line 16	922
35 Total interest—from line 20	1046
36 Total contributions—from line 24	1525
37 Total casualty or theft loss(es)—from line 29	
38 Total miscellaneous—from line 32	
39 Add lines 33 through 38	3853
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 1 or 4, enter $2,300 3, enter $1,700	3400
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) ▶	453

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

HIDTERM: D

Form **3903**
Department of the Treasury
Internal Revenue Service (0)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040 STANLEY MOVER

Your social security number

(a) What is the distance from your former residence to your new job location? 2222 miles

(b) What is the distance from your former residence to your former job location? 10 miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects 1975x9 = 178 + 353	1	1810
2 Travel, meals, and lodging expenses in moving from former to new residence	2	531
3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job	3	399
4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job 654 + 453 =	4	1107
5 Total. Add lines 3 and 4	5	1506
6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year)	6	1500
7 Expenses for: (Check only one box) (a) ☒ sale or exchange of your former residence; or, (b) ☐ if renting, settlement of unexpired lease on your former residence	7	2200
8 Expenses for: (Check only one box) (a) ☐ buying a new residence; or, (b) ☐ if renting, getting a lease on a new residence	8	
9 Total. Add lines 6, 7, and 8	9	3700
Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*		
10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year)	10	3000
11 Total moving expenses. Add lines 1, 2, and 10	11	5341
12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2	12	
13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22	13	5341
14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement"	14	

General Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Who May Deduct Moving Expenses.—If you moved your residence because of a change in the location of your job, you may be able to deduct your moving expenses. You may qualify for a deduction whether you are self-employed or an employee. But you must meet certain tests of distance and time, explained below. If you need more information, please get Publication 521, Moving Expenses.

Note: If you are a U.S. citizen or resident who moved to a new principal work place outside the United States or its possessions, get Form 3903F, Foreign Moving Expense Adjustment.

(1) *Distance Test.*—Your new job location must be at least 35 miles farther from your former residence than your old job location was. For example, if your former job was 3 miles from your former residence, your new job must be at least 38 miles from that residence. If you did not have an old job location, your new job must be at least 35 miles from your former residence. (The distance between the two points is the shortest of the commonly traveled routes between the points.)

(2) *Time Test.*—If you are an employee, you must work full time for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work for at least 39 weeks during the first 12 months and a total of 78 weeks during the 24 months right after you move.

You may deduct your moving expenses for 1981 even if you have not met the "time" test before your 1981 return is due. You may do this if you expect to meet the 39-week test by the end of 1982 or the 78-week test by the end of 1983. If you have not met the test by then, you will have to do one of the following:

- Amend your 1981 tax return on which you deducted moving expenses. To do this, use Form 1040X, Amended U.S. Individual Income Tax Return.
- Report as income on your tax return for the year you cannot meet the test the amount you deducted on your 1981 return.

(Continued on back)

MIN - [illegible]

Form **2106**
Department of the Treasury
Internal Revenue Service (0)

Employee Business Expenses

(Please use Form 3903 to figure moving expense deduction.)
▶ Attach to Form 1040.

OMB No. 1545-0139
1981

Your name: Tom Brown
Social security number: 789 12 4573
Occupation in which expenses were incurred: o/s Sales
Employer's name: A.B.C. Inc.
Employer's address: Portland, Or.

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Instructions

Use this form to show your business expenses as an employee during 1981. Include amounts:

- You paid as an employee;
- You charged to your employer (such as by credit card);
- You received as an advance, allowance, or repayment.

Several publications available from IRS give more information about business expenses:

Publication 463, *Travel, Entertainment, and Gift Expenses.*
Publication 529, *Miscellaneous Deductions.*
Publication 587, *Business Use of Your Home.*
Publication 508, *Educational Expenses.*

Part I.—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these expenses in Part I and use them in figuring your adjusted gross income on Form 1040, line 31.

Line 2.—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips when you did not need sleep or rest.

Line 3.—If you use a car you own in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Part IV. You can take either the cost of your actual expenses (such as gas, oil, repairs, depreciation, etc.) or you can use the standard mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. If you use the standard mileage rate to figure the cost of business use, the car is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. After 60,000 miles of business use at the maximum rate, the car is considered to be fully depreciated. (For details, see Publication 463.)

Caution: You cannot use the mileage rate for a leased vehicle.

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

Line 4.—If you were an outside salesperson with other business expenses, list them on lino 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For details, see Publication 463.)

Line 5.—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

Part II.—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. (For details, see Publication 529.)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see Publication 587.)

If you show education expenses in Part I or Part II, you must fill out Part III.

Part III.—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see Publication 508.)

Part IV, line 8—Depreciation

Cars placed in service before 1/1/81:
You must continue to use either the standard mileage rate or the method of depreciation you used in earlier years. You cannot change to either of the new methods available in 1981.

Cars placed in service after 12/31/80:

If you placed a car in service in 1981 and you do not use the standard mileage rate, you must use the new Accelerated Cost Recovery System (ACRS). One method lets you deduct the following percentages of your cost basis regardless of what month you placed the car in service:

1981—25%
1982—38%
1983—37%

Example: You bought a new car, without a trade-in, for $10,000 in September 1981, and used it 60% for business. Your basis for depreciation is $6,000 ($10,000 × 60%). For 1981 your depreciation deduction is $1,500 ($6,000 × 25%). If your percentage of business use changes in 1982, you must refigure your basis for depreciation.

There is also an alternate ACRS method under which you may use a straight-line method over a recovery period of 3, 5, or 12 years.

Note: *If you use the mileage rate, you are considered to have made an election to exclude this vehicle from ACRS.*

You do not have to consider salvage value in either of these methods. Please see Publication 463 for details on how to figure the deduction under either method.

PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

1 Fares for airplane, boat, bus, taxicab, train, etc.	120
2 Meals and lodging	250
3 Car expenses (from Part IV, line 21)	4402
4 Outside salesperson's expenses (see Part I instructions above) ▶ Customer Entertainment	1800
5 Other (see Part I instructions above) ▶	
6 Add lines 1 through 5	6572
7 Employer's payments for these expenses if not included on Form W-2	2471
8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 23	4101
9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 20	

PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

Business expenses not included above (list expense and amount) ▶	
2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040)	

PART III.—Information About Education Expenses Shown in Part I or Part II

1 Name of educational institution or activity ▶
2 Address ▶
3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☐ No
4 Will this study program qualify you for a new job? ☐ Yes ☐ No
5 If your answer to question 3 or 4 is Yes, you cannot deduct these expenses. If No, explain (1) why you are getting the education, and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶
6 List your main subjects, or describe your educational activity ▶

PART IV.—Car Expenses (Use either your actual expenses or the mileage rate.)

	Car 1	Car 2	Car 3
A. Number of months you used car for business during 1981	12 months	months	months
B. Total mileage for months in line A	26,667 miles	miles	miles
C. Business part of line B mileage	20,000 miles	miles	miles

Actual Expenses (Include expenses on lines 1–5 for only the months shown in line A, above.)

	Car 1	Car 2	Car 3
1 Gasoline, oil, lubrication, etc.	2400		
2 Repairs	300		
3 Tires, supplies, etc.	500		
4 Other: (a) Insurance	450		
(b) Taxes			
(c) Tags and licenses	75		
(d) Interest	200		
(e) Miscellaneous	100		
5 Total (add lines 1 through 4(e))	4025		
6 Business percentage of car use (divide line C by line B, above)	75 %	%	%
7 Business part of car expense (multiply line 5 by line 6)	3019		
8 Depreciation (see instructions on front) Caution: *If you use ACRS, skip line 9 and enter the amount from line 8 on line 10.*	1313		
9 Divide line 8 by 12 months			
10 Multiply line 9 by line A, above	1313		
11 Total (add line 7 and line 10; then skip to line 19)	4332		

Mileage Rate

12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above		15000 miles
13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here		3000
14 Enter any combined mileage from line C that is over 15,000 miles	5000 miles	
15 Multiply line 14 by 11¢ and enter here		550
16 Total mileage expense (add lines 13 and 15)		3550
17 Business part of car interest and State and local taxes (except gasoline tax)		150
18 Total (add lines 16 and 17)		3700

Summary

19 Enter amount from line 11 or line 18, whichever you used	4332
20 Parking fees and tolls	70
21 Total (add lines 19 and 20). Enter here and in Part I, line 3	4402

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-142 EI# 430814328

MID-TERM: 6

Schedules A&B (Form 1040) 1981 **Schedule B—Interest and Dividend Income** OMB No. 1545-0074 Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side) Mr. + Mrs. Taxpayer

Your social security number

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	
Series E. Bonds	20
T.G.E. Bonds	30
Credit Union	25
Mutual of N.Y.	3
Real Estate Contract	100
1b Total. Add above amounts	178
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	
1d Total	
1e Exclusion (See page 20 of Instructions)	
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d.*	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	178

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer		Amount
3 Lloyds of London		10
A.T. & T.		5
Sub Chapter S Corp.		15
Real Est. Inv. Mutual Cap. Gain 20		40
4 Total. Add above amounts		70
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	20	
6 Nontaxable distributions (See Instructions for adjustment to basis)		
7 Total (add lines 5 and 6)		20
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b		50

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

B

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-089

STUDENT PROBLEM

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 1981 (0)

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
KENNETH M.	FERGUSON	500 38 7043
Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
111 WEST 18TH ST.		
City, town or post office, State and ZIP code		Your occupation ▶ GEN. MGR.
FAIRVIEW OREGON 98765		Spouse's occupation ▶

Presidential Election Campaign
▶ Do you want $1 to go to this fund? . . . . ☒ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? . . . ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status
Check only one box.

1 ☒ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 1

c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶

e Total number of exemptions claimed . . . . Add numbers entered in boxes above ▶ 1

Income
Please attach Copy B of your Forms W-2 here.
If you do not have a W-2, see page 5 of Instructions.
Please attach check or money order here.

7 Wages, salaries, tips, etc.			7	16,350
8a Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	275		
b Dividends (attach Schedule B if over $400)	8b	546		
c Total. Add lines 8a and 8b	8c	821		
d Exclusion (See page 9 of Instructions)	8d	200		
e Subtract line 8d from line 8c (but not less than zero)			8e	621
9 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	
10 Alimony received			10	
11 Business income or (loss) (attach Schedule C) ▶			11	
12 Capital gain or (loss) (attach Schedule D)			12	
13 40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	206
14 Supplemental gains or (losses) (attach Form 4797)			14	
15 Fully taxable pensions and annuities not reported on line 16			15	
16a Other pensions and annuities. Total received	16a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18 Farm income or (loss) (attach Schedule F) ▶			18	
19a Unemployment compensation (insurance). Total received	19a			
b Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20 Other income (state nature and source—see page 11 of Instructions) ▶			20	
21 Total income. Add amounts in column for lines 7 through 20 ▶			21	17,177

Adjustments to Income
(See Instructions on page 11)

22 Moving expense (attach Form 3903 or 3903F)	22	400		
23 Employee business expenses (attach Form 2106)	23			
24 Payments to an IRA (enter code from page 11 ....)	24			
25 Payments to a Keogh (H.R. 10) retirement plan	25			
26 Interest penalty on early withdrawal of savings	26			
27 Alimony paid	27			
28 Disability income exclusion (attach Form 2440)	28			
29 Other adjustments—see page 12 ▶	29			
30 Total adjustments. Add lines 22 through 29 ▶			30	400

Adjusted Gross Income

31 Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	16,777

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Tax Computation

(See Instructions on page 12)

32a	Amount from line 31 (*adjusted gross income*)			32a	16,777
32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41			32b	0
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*				
32c	Subtract line 32b from line 32a			32c	16,777
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e			33	1000
34	Taxable Income. Subtract line 33 from line 32c			34	15777
35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726			35	2802
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax			36	
37	**Total.** Add lines 35 and 36 ▶			37	2802

Credits

(See Instructions on page 13)

38	Credit for contributions to candidates for public office	38			
39	Credit for the elderly (*attach Schedules R&RP*)	39			
40	Credit for child and dependent care expenses (attach Form 2441)	40			
41	Investment credit (*attach Form 3468*)	41			
42	Foreign tax credit (*attach Form 1116*)	42			
43	Work incentive (WIN) credit (*attach Form 4874*)	43			
44	Jobs credit (*attach Form 5884*)	44			
45	Residential energy credit (*attach Form 5695*)	45			
46	**Total credits.** Add lines 38 through 45			46	
47	**Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	2802

Other Taxes

(Including Advance EIC Payments)

48	Self-employment tax (*attach Schedule SE*)			48	
49a	Minimum tax. Attach Form 4625 and check here ▶ ☐			49a	
49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐			49b	
50	Tax from recomputing prior-year investment credit (*attach Form 4255*)			50	
51a	Social security (FICA) tax on tip income not reported to employer (*attach Form 4137*)			51a	
51b	Uncollected employee FICA and RRTA tax on tips (*from Form W-2*)			51b	
52	Tax on an IRA (*attach Form 5329*)			52	
53	Advance earned income credit (EIC) payments received (*from Form W-2*)			53	
54	**Total tax.** Add lines 47 through 53 ▶			54	2802

06

Payments

Attach Forms W-2, W-2G, and W-2P to front.

55	Total Federal income tax withheld	55	3147		
56	1981 estimated tax payments and amount applied from 1980 return	56			
57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57			
58	Amount paid with Form 4868	58			
59	Excess FICA and RRTA tax withheld (two or more employers)	59			
60	Credit for Federal tax on special fuels and oils (*attach Form 4136 or 4136–T*)	60			
61	Regulated Investment Company credit (*attach Form 2439*)	61			
62	**Total.** Add lines 55 through 61 ▶			62	3147

Refund or Balance Due

63	If line 62 is larger than line 54, enter amount **OVERPAID** ▶			63	345
64	Amount of line 63 to be **REFUNDED TO YOU** ▶			64	345 00
65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65			
66	If line 54 is larger than line 62, enter **BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature	Date Today	Check if self-employed ▶ ☐	Preparer's social security no.
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

Schedules A&B (Form 1040) 1981 **Schedule B—Interest and Dividend Income** OMB No. 1545-0074 Page 2

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side): KENNETH M. FERGUSON

Your social security number: 500 38 7043

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	
FAIRVIEW NATL. BANK	76
COMMERCE BANK	199
1b Total. Add above amounts	275
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	
1d Total	
1e Exclusion (See page 20 of Instructions) .	
1f Subtract line 1e from line 1d. Caution: *No part of the amount on line 1f may be excluded on Form 1040, line 8d.*	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	275

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount
3 COMSTOCK CORP (CG #516)	826
NCV CO.	112
BLACKMAN IND. ($82 NT)	206
4 Total. Add above amounts	1144
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below . . .	516
6 Nontaxable distributions (See Instructions for adjustment to basis)	82
7 Total (add lines 5 and 6)	598
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	546

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? . . . . If "Yes," you may have to file Forms 3520, 3520-A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-259

Form **3903**
Department of the Treasury
Internal Revenue Service (0)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040: KENNETH FERGUSON

Your social security number: 500 38 7043

(a) What is the distance from your former residence to your new job location? 420 miles

(b) What is the distance from your former residence to your former job location? 9 miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects	1	200
420 x 9¢ = 38 + 24		
2 Travel, meals, and lodging expenses in moving from former to new residence	2	62
3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job	3	138
4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job	4	
840 x 9¢ = 76 + 32 + 30		
5 Total. Add lines 3 and 4	5	138
6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year)	6	138
7 Expenses for: (Check only one box) (a) ☐ sale or exchange of your former residence; or, (b) ☐ if renting, settlement of unexpired lease on your former residence	7	
8 Expenses for: (Check only one box) (a) ☐ buying a new residence; or, (b) ☐ if renting, getting a lease on a new residence	8	
9 Total. Add lines 6, 7, and 8	9	138
10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year)	10	138
11 Total moving expenses. Add lines 1, 2, and 10	11	400
12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2	12	
13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22	13	400
14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement"	14	

Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*

General Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Who May Deduct Moving Expenses.—If you moved your residence because of a change in the location of your job, you may be able to deduct your moving expenses. You may qualify for a deduction whether you are self-employed or an employee. But you must meet certain tests of distance and time, explained below. If you need more information, please get Publication 21, Moving Expenses.

Note: If you are a U.S. citizen or resident who moved to a new principal work place outside the United States or its possessions, get Form 3903F, Foreign Moving Expense Adjustment.

(1) *Distance Test.*—Your new job location must be at least 35 miles farther from your former residence than your old job location was. For example, if your former job was 3 miles from your former residence, your new job must be at least 38 miles from that residence. If you did not have an old job location, your new job must be at least 35 miles from your former residence. (The distance between the two points is the shortest of the commonly traveled routes between the points.)

(2) *Time Test.*—If you are an employee, you must work full time for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work for at least 39 weeks during the first 12 months and a total of 78 weeks during the 24 months right after you move.

You may deduct your moving expenses for 1981 even if you have not met the "time" test before your 1981 return is due. You may do this if you expect to meet the 39-week test by the end of 1982 or the 78-week test by the end of 1983. If you have not met the test by then, you will have to do one of the following:

- Amend your 1981 tax return on which you deducted moving expenses. To do this, use Form 1040X, Amended U.S. Individual Income Tax Return.
- Report as income on your tax return for the year you cannot meet the test the amount you deducted on your 1981 return.

(Continued on back)

FORM **40NR**

OREGON INDIVIDUAL INCOME TAX RETURN

PART-YEAR RESIDENTS AND NONRESIDENTS ONLY

1981

For calendar year 1981 or fiscal year ending ______

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name FERGUSON	First name and initial KENNETH M.	Social Security number 500 38 7043
Spouse's last name if different and joint return	Spouse's first name and initial if joint return	Spouse's Social Security number
Mailing address 111 W. 18th ST.		Telephone number 125-4567
City FAIRVIEW	State Or	ZIP Code 98765
County ATKINS		

Did you file an Oregon income tax return for 1980? ☐ Yes ☒ No If NO, give reason: NON-RES

☐ Nonresident

☒ Oregon resident from 7/2 to 12/31 1981

For office use only

• Filing Status

Check only one box

1 ☒ Single

2 ☐ Married filing jointly

3 ☐ Married filing separately ______ (Spouse's name)

4 ☐ Unmarried head of household ______ (Person who qualifies you)

5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse					

Dependents ______ (First names)

Total exemptions claimed • 1

Attach W-2 wage slips and payment here

INCOME

			Total on your federal return	Oregon portion
1	Wages, salaries and other pay for work. **Attach W-2 wage slips**	1	16,350	9200
2	Interest 2a 76 PLUS dividends 2b 273 MINUS exclusion 2c 200	2	621	149
3	State and local income tax refunds	3		
4	Alimony received	4		
5	Business income or loss from federal Schedule C	5		
6	Capital gain or loss from federal Schedule D	6		
7	40% of capital gain distributions not reported on Schedule D	7	206	103
8	Supplemental gains or losses from Form 4797	8		
9	Pensions and annuities. Total of federal Form 1040 lines 15 and 16b	9		
10	Rents, royalties, partnerships, estates or trusts, from Schedule E	10		
11	Farm income or loss from federal Schedule F	11		
12	Taxable unemployment and other taxable income from your federal return	12		
13	Total income. Add lines 1 through 13	13	17177	•13 9452

ADJUSTMENTS TO INCOME

14	Moving expenses from federal Form 3903 or 3903F	14	400	400
15	Employee business expenses from federal Form 2106	15		
16	Payments to an IRA or Keogh plan	16		
17	Interest penalty on early withdrawal of savings	17		
18	Alimony paid	18		
19	Disability income exclusion and other adjustments from federal Form 1040	19		
20	Total adjustments to income. Add lines 14 through 19	20	400	400
21	Income after adjustments. Line 13 minus line 20	21	16777	9052

OREGON CHANGES TO INCOME

			Federal Portion	Oregon portion
22	Interest received from All Savers Certificates	• 22		
23	Changes in depreciation for Oregon	• 23		
24	Other Oregon changes to federal income. Identify ______	• 24		
25	Total Oregon changes. Add lines 22, 23 and 24	25		•25
26	Income after Oregon changes. Add lines 21 and 25	26a	16777	•26b 9052

27 **Oregon percentage.** Fill in the boxes below.

Line 26b	Divided by	Line 26a	Equals		Oregon %
9052	÷	16777	=	27	53.95 (Not more than 100%)

NOW GO TO THE BACK OF THE FORM →

28	Amount from front of the form, line 26b			28	9052

ADDITIONS

29	Interest on municipal bonds of states other than Oregon	● 29			
30	Other additions. Identify ______	● 30			
31	Total additions. Add lines 29 and 30			31	
32	Income after additions. Line 28 plus line 31			32	9052

SUBTRACTIONS

33	Interest from U.S. Government, such as Series E and H bonds	● 33			
34	U.S. public retirement income, not more than $3,400. See instructions, page 16	● 34			
35	Military active duty pay, not more than $3,000. See instructions, page 16	● 35			
36	Oregon public retirement income	● 36			
37	Other subtractions. Identify ______	● 37			
38	Total subtractions. Add lines 33 through 37			38	
39	Income after subtractions. Line 32 minus line 38			39	9052

DEDUCTIONS AND EXEMPTIONS

Deductions. Fill in lines 40, 41, & 42 OR only line 43

40	Itemized deductions from your federal Schedule A, line 39	● 40			EITHER, NOT BOTH
41	State income tax claimed as an itemized deduction. See instructions, page 18	● 41			
42	Net Oregon itemized deductions. Line 40 minus line 41	42			
43	Standard deduction from table on page 23	43	1500		
44	1981 federal tax (Maximum $7,000 OR $3,500 if married filing separately)	● 44	2802		
45	Exemptions. $1,000 multiplied by your number of exemptions	45	1000		
46	Total deductions and exemptions. Add lines 42, 44 and 45 OR lines 43, 44 and 45	46	5302		
47	Allowable percentage from the front of the form, line 27	47	53.95		
48	Allowable deductions and exemptions. **Multiply line 46 by line 47**			48	2860
49	Oregon taxable income. Line 39 minus line 48			● 49	6192

OREGON TAX

50	Oregon tax from rate chart, page 23	● 50	464		
51	Minimum Tax. **Attach Schedule M** if you must pay this extra tax	● 51			
52	Total tax. Add line 50 and line 51			52	464

CREDITS

53	Credit for the elderly. See instructions, page 19	● 53			
54	Child care credit. See instructions, page 19	● 54			
55	Credit for income tax paid to another state. **Attach proof.** See page 20	● 55			
56	Political contribution credit. **Attach copy of receipt or canceled check**	● 56			
57	Other credits. Identify ______	● 57			
58	Total credits. Add lines 53 through 57			58	
59	Net income tax. Line 52 minus line 58. If line 58 is more than line 52, enter -0-.			59	464

TAX PAYMENTS MADE IN 1981

60	Oregon income tax withheld from wages. **Attach W-2 wage slips**	● 60	430		
61	Estimated tax payments for 1981	● 61			
62	Total tax already paid. Add line 60 and line 61			62	430
63	**Refund.** If line 62 is more than line 59, you have a refund. Subtract line 59 from line 62			● 63	
64	**ESTIMATED TAX.** Fill in all or part of line 63, you want to apply to your estimated 1982 tax	● 64			
65	NET REFUND. Subtract line 64 from line 63. This is your refund			● 65	
66	Tax-to-pay. If line 59 is more than line 62, you have tax-to-pay. Subtract line 62 from line 59			● 66	34 00
67	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check ☐. See page 22 of instructions.			● 67	

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ______ Date ______

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ______

Student Signature

Signature of preparer other than taxpayer ______ License no. ______

Address ______

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR [illegible]

FORM
70R

OREGON HOMEOWNER AND RENTER REFUND FORM

1981

Please print or type

Claimant's last name FERGUSON	Claimant's first name and initial KENNETH H.	Social Security number 500 38 7043	Age 36
Spouse's last name if different	Spouse's first name & initial	Spouse's Social Security number	Spouse's age
Mailing address 111 W. 18th ST.		Telephone number 125-4567	
City FAIRVIEW	State ORE	ZIP Code 98765	County ATKINS

Did you file an Oregon Individual Income Tax Return for ~~1980?~~ 1981 ☒ Yes ☐ No

For office use only

FILL IN lines 1 through 24 below if:
- You are a renter (no income limit), or
- You are a homeowner with household income less than $17,500, or
- You are a mobile home resident who pays rent (no income limit), or
- You own your mobile home AND land and have household income less than $17,500.

DON'T FILE this form if you have household income $17,500 or more, AND
- Own your home, OR
- Own BOTH your mobile home AND land.

WORK OR INVESTMENTS

1 WAGES, SALARIES and other pay for work	1	16350		
2 INTEREST, DIVIDENDS (total taxable and nontaxable)	2	821		
3 BUSINESS NET INCOME (loss limited to $1,000)	3			
4 Farm net income (loss limited to $1,000)	4			
5 Total gain on property sales (loss limited to $1,000)	5	516		
6 Rental net income (loss limited to $1,000)	6			
7 Net operating loss carryback and carryforward (limited to $1,000)	7			
8 Other income from your federal return. Identify	8			
9 Add lines 1 through 8			• 9	17687

RETIREMENT

10 Social Security, Supplemental Security Income (SSI), Railroad Retirement (total for 1981)	10			
11 Pension, annuity (total taxable and nontaxable received during 1981)	11			
12 Add lines 10 and 11			• 12	

OTHER

13 ADULT AND FAMILY SERVICES (Welfare)	• 13			
14 UNEMPLOYMENT	• 14			
15 CHILD SUPPORT	15			
16 Veteran's benefits, military pay and benefits	16			
17 Disability pay, life insurance proceeds, personal injury damages, strike benefits	17			
18 Workers' compensation, accident and health insurance payments	18			
19 Inheritances	19			
20 Gifts and grants: total amount minus $500	20			
21 Add lines 13 through 20			21	
22 Total. Add lines 9, 12 and 21			22	17687
23 Adjustments to income from federal Form 1040, lines 22 through 27 and line 29			• 23	400
24 Your total household income. Line 22 minus line 23			• 24	17287

HOMEOWNERS — Now go to **section A** on the back of this form.
MOBILE HOME RESIDENTS — Now go to **section B** if you own your mobile home AND/OR land. Go to **section C** if you rent BOTH your mobile home AND land.
RENTERS — Now go to **section C** on the back of this form.

150-101-075 (10-81)

Complete only one section.

A **HOMEOWNERS** Owned on Dec. 31, 1981

Total ASSESSED VALUE of the home you owned and occupied Dec. 31, 1981. Attach your 1981-82 Property Tax Statement • 25

26 Total PROPERTY TAX on your home. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments. • 26

27 MAXIMUM REFUND from the HARRP table for homeowners. 27

28 SMALLER of line 26 or line 27 28

29 Special Shelter Allowance (Aid to Dependent Children) • 29

30 YOUR HOMEOWNER REFUND. Line 28 minus line 29 • 30

B **MOBILE HOME OWNERS** Owned on Dec. 31, 1981

31 Total ASSESSED VALUE of your mobile home and/or land you owned and occupied on Dec. 31, 1981. Attach your 1981-82 property tax statement(s). (If you rented your home and land, file as a renter.) • 31

32 TOTAL PROPERTY TAX on your home and/or land. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments. • 32

33 TOTAL OREGON RENT for 1981 from Rental Schedule below. • 33

34 Optional: Refund amount from worksheet, line 22 or line 24 (if you filled out worksheet). • 34

C **RENTERS** Didn't own on Dec. 31, 1981

35 TOTAL OREGON RENT for 1981 from the Rental Schedule below • 35 1500

36 Optional: Refund amount from worksheet, line 10 or line 23 (if you filled out worksheet). • 36 89

Check the box if you paid rent to a nursing home ☐ or a retirement (rest) home ☐.

SPECIAL PROGRAM FOR ELDERLY RENTERS

may qualify for a larger refund. See instructions for Elderly Rental Assistance. Fill in line 37 if you qualify he program.

37 Total fuel and utilities only (not telephone). DON'T INCLUDE RENT • 37

RENTAL SCHEDULE List the places you rented in Oregon and the rent you paid for 1981. Roommates: only one may file.

Your address(es): street, city, state	Roommates' names	Landlord(s)	1981 rental period From To	Rent per month	Total
111 W. 18th ST. FAIRVIEW, OR		JOE BLOW	7/2 - 12/31	250	1500

TOTAL RENT FOR 1981. Add the rent you paid for 1981. Fill in the total in this space. 1500

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE Claimant's signature (Person listed first on front of form) Date

Student Signature
Signature of preparer other than taxpayer License no.

IL YOUR FORM 70R WITH YOUR OREGON INCOME TAX RETURN IF YOU FILE A RETURN.

Mail all others to: REFUND, P.O. Box 14700, Salem, OR 97310

YOU'LL GET YOUR REFUND IN OCTOBER 1982.

Refund worksheet

For renters and mobile home owners

PTR—Property Tax Relief Plan
HARRP—Homeowner and Renter Refund Program

The Oregon Department of Revenue will figure the refunds for renters and mobile home owners. If you are a renter or a mobile home owner, you may use this worksheet to figure what your refund will be for your own records. Follow the instructions below. Please fill in on Form 70R, line 34 or 36, the refund you figured. Keep this worksheet for your records.

Household income less than $17,500:

Renter: (Completed Section C, Form 70R).

1. Household income 1 17287
2. Rent $1500 x 17% 2 255
3. PTR refund. Rent $1500 x 4.7%* 3 71
4. Line 2 minus line 3 .... 4 184
5. Maximum refund from table 5 18
6. Smaller of line 4 or line 5 .... 6 18
7. Special Shelter Allowance (ADC) .... 7 ______
8. HARRP refund (line 6 minus line 7) 8 18
9. Fill in the amount from line 3 .... 9 71
10. Total refund (line 8 plus line 9) 10 89

Mobile home owner: (Completed Section B, Form 70R).

11. Household income .... 11 ______
12. Rent $______ x 17% .... 12 ______
13. PTR refund. Rent $______ x 4.7%* .... 13 ______
14. Line 12 minus line 13 .... 14 ______
15. Property tax on mobile home or land (less state payment)... 15 ______
16. Line 14 plus line 15 .... 16 ______
17. Maximum refund from table .... 17 ______
18. Smaller of line 16 or line 17 .... 18 ______
19. Special Shelter Allowance (ADC) .... 19 ______
20. HARRP refund (line 18 minus line 19) .... 20 ______
21. Fill in the amount from line 13 .... 21 ______
22. Total refund (line 20 plus line 21) .... 22 ______

Household income $17,500 or more:

You get a check from Oregon Property Tax Relief Plan (PTR).

23. **Renters: Rent $______ x 4.7%*** .... 23 ______
24. **Mobile home owners: Rent $______ x 4.7%*** .... 24 ______

*The maximum amount allowed on this line depends on funds available for Oregon's Property Tax Relief Plan (PTR). The maximum can't be determined until September 1982. At that time, we will use the new maximum to figure your refund. This means the amount you figure on line 10, 22, 23 or 24 may change.

150-101-034 (10/81)

SESSION 9

MID-TERM EXAM

1. John Elm's tax year ends on December 31. John's due date for filing his personal income tax return is:

a. March 15   b. December 31   c. April 15   d. January 31

2. John and Mary White are under 65, married, and have two dependent children. They provide over half the support of Mary's widowed father, aged 73 who is a U.S. citizen. Mary's father received $990 of taxable income last year. The Whites plan to file a joint return. How many exemptions can they claim?

a. Four   b. Five   c. Three   d. Six

3. John Green is single. He received $90 of qualifying dividends form X Corporation and $120 in interest on his savings account. These are the only interest and dividends he received. His total interest and dividend exclusion is:

a. -0-   b. $210   c. $200   d. $90

4. The responsibility of passing tax laws belongs to the:

a. IRS   b. Congress   c. Secretary of Treasury
d. Commissioner of IRS

5. What form do you receive from your employer each year that shows your total wages and witholding?

a. W-2   b. W-4   c. 1040A   d. SS-5

6. What are the types of itemized deductions that may be deducted on Schedule A of the 1040 return?

a.____________________ b.____________________
c.____________________ d.____________________
e.____________________ f.____________________

7. Social Security tax for a sole proprietor is called:
______________________________.

8. Allan, a full-time student, had $500 in wages, and $1,200 in interest from a savings account. Allan's father claims him as a dependent on his tax return. Is Allan required to file a tax return? ____________

9. What is the difference between interest and dividends?______________________________
____.

10. Gail received money from the following sources during the year. What is the amount of her gross income?

____

Wages	$7,400	Child support payments	$1,500
Tips	4,200	Gift from parents	3,000
Interest (savings)	400		

11. Who may file Form 1040A? ________________________

____.

12. What amount of interest income and dividends may be excluded by an individual? ________________________.

13. What is the difference between a tax liability and a tax due? ____.

14. Does your tax liability increase if you want $1 to go into the Presidential Election Campaign Fund__________

15. Before you can claim a dependent as an exemption, how many dependency tests must be met? ________________

16. What are the two forms of exemptions? ______________

__________________.

17. Linda can be claimed as a dependent by her parents. In 1981 she received $1,400 of interest and earned $950 for a job. Her allowable itemized deductions are $350. What is her taxable income? ________________________.

18. Which filing status had the lowest tax rate? __________

19. Which filing status should you use if you are single, pay over half the cost of maintaining your home, and have a dependent relative living with you all year?

____

20. What is A.G.I.? ____

____

21. If your highest bracket of income for 1981 was taxed at 26%, what was the tax rate for your lowest taxable bracket of income? ________________________

22. What is the zero bracket amount and what determines the amount? ____

23. Jack's adjusted gross income is $30,000; his medical insurance is $400; medicine and drugs $250; and the rest of his medical expenses is $650. What is Jack[illegible] deductible medical expense? ________________________

24. Beth's adjusted gross income is $20,000. Her medical insurance is $250; medicine and drugs $300; and other medical expenses $775. What is Beth's deductible medical expense? ______________________________

25. Ken bought his first home July 1, 1981. The real estate taxes for calendar year were $1,000. What amount can Ken deduct for real estate taxes on his Schedule A for 1981? ______________________

26. How many years may a taxpayer use the filing status Qualifying widow(er) with dependent child?

a. One b. Two c. Three d. Four e. Five

27. How many years may a taxpayer file as head of household?

a. Two b. Three c. Seven d. No limit

28. Taxpayer: "I was divorced last year and have not remarried. I have heard that I can't claim my son because he he earns too much; however, he still lives with me. Could I file as "Head of Household?" Your questions bring out these additional facts: The taxpayer pays all costs for the home where she and her son live. She has income from salary but no alimony. She cannot claim her son as a dependency exemption. Can she file as "Head of Household"?

a. Yes b. No

29. To file a joint return, both husband and wife must:

a) Be U.S. citizens or resident aliens T___ F___
b) Be legally married and living together on the last day of their tax year T___ F___
c) Have income T___ F___
d) Sign the return (except in certain unusual situations) T___ F___
e) Have the same tax year T___ F___

30. Taxpayer" "I'm single, over 65, and retired. I recieved social security checks totaling $1,450, and $3,900 from a pension on which there was no withholding. Do I have to file a federal return? Yes ___ No___
Do I have to file an Oregon return? Yes ___ No___

31. Which of these taxpayers must file a federal return?
a) Under 65, single, $7,500 wages, $150 dividends from stock, and $80 interest from savings account.
b) Married, filing jointly, both over 65,$7,100 wages

32. Taxpayer: "I'm 60 years old and single. In 1981 total wages were just over $3,300; $3,351.60 to exact. Do I have to file a federal return? Yes __ No__
Do I have to file an Oregon return? Yes __ No__

33. Taxpayer: "I don't know much about taxes. I've written down all the money I received in 1981. Could you tell me if I have to file a return?
Taxpayer is entitled to one exemption. Her list contains the following information: $3,800 alimony recieved February thru December; $475 five weeks salary for a job beginning in late Novemeber.
a) What is taxpayer's gross income? ____________
b) Does the taxpayer have to file federal tax return? ________________
c) Does the taxpayer have to file an Oregon tax return? _______________

34. A widow over 65 receives all her income from selling candy, which she makes in her home. Her gross sales for the current tax year were $1,250. The ingredients for the candy and other items cost $900. Would she be required to file a federal return? ______, an Oregon return? _______

35. Assume in the previous example that the widow's sales were $2,000 and costs total $1,200. Is a feder return required? ______ An Oregon return? __________

36. T F Under the terms of the divorce decree, Mr. S's former wife had custody of their two children. During 1981, Mr. S provided child support of $2,400 for both children. Of that amount $2,200 was required for 1981, and the balance was for an earlier year. The payments were equal for each child. Mr. S is entitled to the exemption for the two children for 1981?

37. T F Failure to report tips of $20 or more per month to an employer may result in the employee being subject to a penalty equal to 50% of the tax in addition to the employee social security tax.

38. T F Mr. H lives with his family in New York City. Mr. H permanently works in New Jersey, where he stays in a hotel and eats in a restaurant during the week. Mr. H returns to New York City every weekend. Mr. H's tax home for determining allowable travel expenses is New York City.

39. T F Mr. A, a steamfitter, has a temporary assignment beyond the general area of his tax home. He leaves his tax home early each morning and returns home each evening. Mr. A cannot deduct the daily round-trip transportation expenses because they are commuting expenses and are nondeductible personal expenses.

40. T F To take a deduction for business gifts, you must prove all the following elements: cost, date of gift, description of gift, reason for giving gift, and business relationship of person receiving gift.

41. T F If the divorce decree or separation agreement does not fix an amount as child support, the payment is allocated equitably between child support and alimony for tax purposes.

42. T F The maximum disability income exclusion for employer financed plans is the greater of $100 a week or the amount of weekly disability pay you actually receive.

43. T F During 1981, Mr. R paid medical expenses for his wife, who died during 1980. He remarried and is filing a joint return for 1981 with his second wife. Mr. R may not include the medical expenses on the joint return with his second wife.

44. T F Mr. W was an accountant who decided to get a law degree. In 1981 he paid $900 to an employment agency to get a job with a local law firm. Mr. W may deduct the $900 as a miscellaneous deduction.

45. T F A taxpayer who is totally and permanently disabled must be age 65 or over in order to claim a disability income exclusion.

46. T F Parking and toll fees can be deducted by a taxpayer who claims the standard mileage rate.

47. T F Alimony payments in a lump-sum amount cannot be deducted as an adjustment to income.

48. T F Any automobile over 4 years old is fully depreciated for purposes of applying the standard mileage rate.

49. T F Periodic alimony payments are taxable to the spouse and deductible by the taxpayer as an adjustment to income.

50. T F Payment for an individual retirement arrangeme by a qualified taxpayer is claimed as adjustment to income.

51. T F Forfeited interest payments for the premature withdrawal of funds from savings accounts cannot be deducted as an adjustment to income.

52. T F The $1,000 personal exemption for a taxpayer who died on July 1 is allocated; thus the exemption is limited to $500 on the taxpayer's final return.

53. T F The final return of a taxpayer for the year of death is due on the date it would have been due had the taxpayer lived.

54. T F A joint final return cannot be filed for a deceased taxpayer with a surviving spouse who has remarried.

55. A dependent claimed as an exemption by a taxpayer may not receive $1,000 or more from:

T F a) Gross receipts (before deducting expenses) from rental property

T F b) Interest on municipal bonds

56. In the determination of whether a taxpay provides over half of the toal support of a dependent, expenditures by a taxpayer that are support include:

T F Dental care

T F Fair rental value of lodging provided to dependent in home

57. T F A taxpayer's spouse who meets the dependency requirements does not qualify as the taxpayer's dependent.

58. T F The gross income received by an individual for whom a taxpayer is establishing a dependency exemption must include gross receipts from social security.

59. T F Form 1040A can be filed by any taxpayer.

60. Form 1040A can be filed by a taxpayer who:

T F a) Is claimed by a parent as a dependent and has interest, dividends, or to her unearned incom of $1,000 or more.

T F b) Has less than $50,000 of qualified taxableincome.

61. Interest income from a qualified all-savers certificate

T F a) Must be listed on a joint return, regardless of which spouse owns the certificate earned th interest income.

T F b) Is subject to a once-in-a-lifetime maximum exclusion

T F c) Can also be applied to claim the $200/$400 interest and dividend exclusion

62. T F A married taxpayer whose spouse dies during the taxable year will be eligible to elect to file a joint return with the deceased spouse in the year of death.

63. T F The amount of taxable income is the tax base for determination of the income tax using the Tax Table.

64. T F The income of a minor is not reported by the parents on their joint income tax return.

65. T F A single taxpayer may claim a head-of-household filing status if the household is maintained for a dependent parent who resides in a separate household.

66. T F The interest on U.S. Savings Bonds (Series E) issued on a discount basis must be reported each year as earned.

67. T F The unused zero bracket amount is added to adjuste gross income by certain taxpayers who are required to itemize deductions.

68. The interest amount:

T F a. Received on life insurance dividends left with the insurance company (but subject to withdrawal) are taxable.

T F b. Received on income tax refunds are taxable.

T F c. Received on State of Iowa revenue bonds are taxable.

T F d. Added to the value of a bank savings account (not withdrawn) are taxable.

69. T F A qualifying widow(er) receives the benefit of the split-income provision when computing the tax for the first 2 years after the year in which the spouse dies.

70. T F An unmarried individual under age 65 with $1,850 of gross receipts (net earnings from self-employment $450) from a business is not required to file an income tax return in 1981.

71. T F Form 1040A may be filed by a single taxpayer w[illegible] has recieved income from dividends of $620 a[illegible] who is eligible to claim a $200 interest and dividend exclusion.

72. T F Filing status as a qualified widow or widower with a dependent child can be claimed on Form 1040A.

73. T F Tax-exempt income such as gifts is excluded in determining whether or not a dependent has enough gross income to be required to file.

74. T F The lump-sum payment of life-insurance proceeds on the insured person's death is taxable to the beneficiary.

75. T F Exemptions can reduce gross income in the determination of who can use Form 1040A.

76. T F The zero bracket amount of $1,700 applies to an unmarried head of household.

77. T F Vitamins and iron supplements are includable as medicines and drugs even if not prescribed by a doctor.

78. Miscellaneous itemized deductions include:
- T F a. The excess of gambling losses over gambling gains.
- T F b. A fee paid to an employment agency for obtaining a job in the same line of work.
- T F c. Fees paid for the determination, collection, or refund of an income tax.

79. T F A taxpayer may include as an itemized deduction the amount of sales tax computed by using the Optional State Sales Tax Table even though it is a greater amount than the actual sales tax paid during the year.

80. T F In determining the sales tax deduction based on adjusted gross income using the Optional State Sales Tax Table, the amounts of nontaxable receipts (such as social security benefits) are included as income to determine the income bracket to be used to find the sales tax to be claimed.

81. T F State income taxes are included in itemized deductions by a cash-basis taxpayer in the year paid, regardless of the year covered by the tax or the year of the assessment.

82. T F Points paid on a personal home mortgage by a cash basis taxpayer can be deducted as interest expense in the taxpayer's itemized deductions if they are not in excess of the amounts generally charged in the area and if the payment of points is a general business practice of the area.

83. T F The unused portion of charitable contribution deductions can be carried forward for an unlimited period.

84. T F Interest on delinquent federal income taxes can be included in the Interest Expense section of Schedule A.

85. T F Married taxpayers who have a casualty loss on property owned jointly may each exclude $100 of the loss on a joint income tax return.

86. T F Contributions that exceed the 30% or 50% percentage limitations in a given year may be carried forward for the next five years.

87. T F Property that has appreciated in value and is sold to a charity at a bargain price is eligible for a charitable contribution deduction.

88. T F There must be a monetary gift for a contribution deduction; that is, a payment of money or transfer of property for money.

89. T F A loss exceeding $50 resulting from damage to a taxpayer's automobile in a collision where the taxpayer is at fault is deductible by a taxpayer as a casualty loss.

90. T F An interest expense deduction for payments made for others when there is no legal obligation for making these payments is an appropriate itemized deduction.

91. T F Property taxes that are paid for the year when real estate is sold are allocated between the buyer and the seller in proportion to the part of the year each owned the property, even though in fact there was a different agreement and actual apportionment.

92. T F The amount paid for a raffle ticket to a deductible charitable organization in a fund-raising campaign can be deducted as a charitable contribution.

INSERT THE PROPER AMOUNT TO THE FOLLOWING:

93. $______ A taxpayer with an adjusted gross income of $18,000 made contributions of $11,000 to churches and universities. Determine the current-year deduction for contributions entered on Schedule A.

94. The amount of total itemized deductions that must be excluded to determine the excess itemized deduction for:
$______ a. Married taxpayers filing separately is:
$______ b. Married taxpyerrs filing jointly is:
$______ c. An unmarried head of household is:
$______ d. A qualified widow(er) is:

95. $______ A taxpayer paid medical care insurance premiums of $240. The amount that can be included in itemized deductions when other medical and dental expenses are not deductible.

96. $______ The maximum amount of medical insurance premiums paid by a taxpayer that can be included in itemized deductions when the total amount of medical expense is less than 3% of adjusted gross income is:

97. $______ Prepaid interest expense of $2,400 was pai[illegible] August 1, 1981, with $100 being applicable [illegible] each month for 24 months. The interest expense deduction for 1981 is:

98. $______ A taxpayer paid the following charges during the taxable year: $500 interest on a home mortgage; $70 finance charges on a revolving charge account based on an unpaid balance at the beginning of the month; $60 interest on a gambling debt; and $40 interest on a life insurance loan. The interest expense deduction on Schedule A is:

99. $______ A cash-basis taxpayer paid the following real estate taxes: $490 on 1/15/81, for 1980 taxes; $450 on 7/15/81, for 1981 taxes; $450 on 1/15/82, for 1981 taxes. The itemized deduction for 1981 Schedule A for real estate taxes would be:

100. $______ If a taxpayer received disability income of $6,240 during 1981, how much of an exclusion is the taxpayer entitled to if the taxpayer's adjusted gross income for the year is $18,000.

101. $______ If a taxpayer pays a charitable pledge to a church with securities that orginally cost $400 three years ago, but have a current market valu[illegible] of $2,000, the amount of the charitable deduction would b[illegible]

102. ______ The income tax return of a calendar-year taxpayer who died in 1981 must be filed on or before:

103. ______ The amount of an optional deduction per mile for the use of a personal automobile in connection with a moving-expense deduction:

104. $______ An individual taxpayer (age 69) with good vision can claim exemptions amounting to:

105. The total number of exemptions that may be claimed on an income tax return by:

______ a. Married taxpayers (both under age 65 with good vision) who contribute over half he support of the wife's blind mother (age 75 with $1,200 income from social security) the wife has $1,200 income from part-time employment. A 21-year-old daughter for whom 60% support was provided had attended the local university full time during the academic year and had earned $1,600 in wages.

______ b. A husband (age 67, with good vision) and wife (age 62, blind) who file jointly, and have fully supported children (ages 41 and 44); the youngest child (age 41) died on January 16 of the current tax year, and the oldest child (44) is blind.

106. ______ The first year a taxpayer whose birthday is 1/1/82 is qualified to claim an exemption for age is:

107. Based on the following data only, could each individual qualify as a dependent of the taxpayer in 1981? (answer Yes or No)

______ a. Mother-in-law qualified as a dependent in 1981, but her daughter (the taxpayer's spouse) died in 1981.

______ b. Daughter of the taxpayer with wages of $7,800 who filed a joint return with her spouse and has paid her income tax in full.

108. Match each column to term or statement with t[illegible] column one answer, and insert the letter in t[illegible] column at the left. Certain column one items are not used while other items may be used more than once.

a. 15%
b. $300
c. $100
d. 17 cents
e. 50%
f. 2%
g. $30
h. 15 cents
i. 10 cents
j. 20%
k. $2,300
l. $40
m. 1%
n. $50
o. $500
p. 30%
q. $1,500
r. 9 cents
s. $3,000
t. 10%
u. $200
v. 3%
w. None of the above

_____ 1. A ticket was purchased for $60 to a church fund-raising sports event. The fair market value of the ticket was $10, and the ticket was not used to attend the sports event. The amount of the itemized deduction for this contribution is:

(2&3) The exclusion from casualty or theft claimed by married taxpayers filing jointly for events where there were:

_____ 2. Two or more items in a single occurence

_____ 3. Two separate occurences

_____ 4. The maximum amount of qualified expenses in 1981 allowed as an itemized deduction for the adoption of a child with special needs.

_____ 5. The standard mileage rate for the use of an automobile as transportation to a physician for medical care is:

(6&7) The maximum percentage of a[illegible]justed gross income that must [illegible] excluded from itemized deductions for:

_____ 6. Medicine and drugs

_____ 7. Total medical and dental expenses. In general (subject to certain detailed exceptions), the maximum percentage of adjusted gross income that can be included in itemized deductions in one year for contributions:

_____ 8. For the benefit of qualified organizations (rather than directly to public charities.)

_____ 9. In cash to public charities such as the United Way, churches and hospitals.

_____ 10. In appreciated capital-gain property to public charities such as United Way, churches and hospitals.

109. Which of the following is NOT taxable?

a. Interest on U.S. Treasury bills, notes and bonds issued by an agency of the U.S.
b. Interest on federal income tax refund
c. Interest on New York State bonds
d. Discount income in installment payments received on notes bought at a discount
e. Amount received from a condemning authority to compensate for [illegible] delay in paying an award.

e. Amount received from a condemning authority to

110. During 1981, Ms. L received the following:

Dividends from a taxable domestic corporation	$450
Dividends on stock of a building and loan association	$300
Dividends from a foreign corporation	$200
Dividends from a tax-exempt corporation	$2,000

What is the total amount of dividends that qualify for the dividend and interest exclusion?

a. $450 b. $750 c. $2,200 d. $2,650 e. $2,950

111. Which of the following is a nondeductible moving expense?
a. Insurance on goods in transit
b. Cost of meals and lodging in transit
c. Loss on a sale of your personal residence
d. Attorney fees to sell personal residence
e. Real estate commissions to sell personal residence

112. Mr. K paid $500 a month for 3 months to his estranged wife while they were negotiating a separate maintenance agreement. Mr. K filed a separate return for 1981. An agreement reached 6/1/81, required Mr. K to pay $300 a month as alimony. Mr. K made payments of $2,100 for the period 6/1/81 to 12/31/81. What is Mr. K's correct alimony deduction for 1981?

a. - 0 - b. $900 c. $2,100 d. $3,000 e. $3,600

113. Which one of the following expenses does NOT qualify as a deductible medical expense?
a. Cost of operating and keeping up a motorized wheelchair
b. Cost of braille books over cost of regular books
c. Special school for a deaf child to learn lip reading
d. Cost of keeping a mentally retarded person in a relative's home
e. Cost and care of quide dogs used by a blind person in his business

114. Which of the folloiwng taxes may be deducted on Form 1040 Schedule A?
a. Homeowners association charges
b. Assessments for sewer lines
c. State income taxes on municipal bond interest
d. State and local taxes on gasoline
e. Assessments for streets

115. Mr. K, a cash basis taxpayer, paid the following interes in 1981:

Mortgage prepayment penalty.	$500
Interest on mother's mortgage	400
Money borrowed to buy $10,000 municipal bond . . .	700
Discounted note	100

How much interest expense can Mr. K deduct in 1981?

a. -0- b. $500 c. $600 d. $1,100 e. $1,200

116. A contribution to a qualified organization is deductible. Which of the following is NOT a qualified organization?

a. Nonprofit cemetery company for perpetual care of entire cemetery
b. Nonprofit volunteer fire company
c. Medical research organizations
d. Synagogue
e. Civic league

117. Which of the following is deductible as a miscellaneous expense on Schedule A?

a. Appraisal fee for a casualty loss
b. Premiums on life insurance
c. Property settlement in a divorce
d. Health spa expenses
e. Preparation of a will

118. From the items listed below, determine the amount of income to be included in Mr. E's tax return for 1981:

Medical insurance premiums paid by employer under a plan.	$375
Group permanent life insurance premiums paid by employer.	225
Group legal services plan paid for by employer.	300
The excess of fair market value over the purchase price paid for property acquired from employer.	400
Amount of interview expense allowance received from employer in excess of actual expenses.	250

a. $475 b. $875 c. $1,250 d. $1,300 e. $1,550

119. From the items listed below, determine the interest income includible on Mr. F's tax return for 1981:

Received on deposits in a federal savings and loan association.	$320
Received on share accounts in a credit union. .	125
Received at fixed intervals of one year or less on money market certificates.	50
Toaster received for opening an account in a mutual savings bank.	16
Increase in the value of prepaid premiums applied to the payment of premiums due on a life insurance policy.	95

a. $320 b. $445 c. $465 d. $511 e. $606

120. P, who had never before received one, received a grant from the Department of Education for a special research project on education. He received $500 per month for the period May 2 to December 31. P is not a candidate for a degree. The amount of fellowship P may exclude from income for the year is:

a. -0- b. $1,600 c. $2,400 d. $3,000 e. $4,000

121. Mr. M and his family moved a distance of 2,000 miles so he could take a new job. Mr. M incurred the folloiwng job related moving expenses:

Transportation of household goods.	$5,000
Travel, meals, and lodging.	300
Househunting trip.	600
Temporary quarters (30 consecutive days). . .	1,200
Commission on sale of residence.	2,000

What is the allowable moving expense deduction assuming a joint return is filed for 1981?

a. $9,200 b. $9,100 c. $8,300 d. $7,000 e. $5,000

122. Mr. O's divorce decree requires him to pay $200 a month alimony and $100 per month child support. Mr. O made payments of $3,000 in 1981. How much can Mr. O deduct for alimony on his tax return?

a. $1,200 b. $1,800 c. $2,400 d. $3,000 e. $3,600

123. Ms. G's adjusted gross income for 1981 is $15,000. Ms. paid the following medical expenses during 1981:

Medical insurance premiums.	$400
Vitamins for general health.	350
Lung X-rays.	200
False teeth.	450
Fees to psychologist.	600

Ms. G was reimbursed $550 on the above expenses. What is Ms. G's medical deduction for 1981?

a. $200 b. $400 c. $500 d. $650 e. $1,000

124. Mr. Q is single and had adjusted gross income of $7,250 in 1981. He made the following contribtuions in 1981. What is his allowable contribution deduction?

Appraisal fee on donated property.	$250
Nonprofit hospital.	400
War veterans' organization.	2,200
Domestic fraternal society (to be used exclusively for a qualified charitable purpose). .	850
Value of land used for church picnic.	300

a. $650 b. $1,850 c. $3,625 d. $3,900 e. $4,200

125. Mr. and Mrs. K lived in Chicago, 1L where they were members of a church. During 1981 Mr. K was chosen as representative of the church to attend a chur[illegible] convention in St. Louis, MO. Mr. and Mrs. K both attended the convention and incurred the following expenses:

Miles driven.	700
Meals and lodging, Mr. K. . .	$160
Meals and lodging, Mrs. K. . .	160
Gas and oil.	70
Tune-up of car prior to trip. . . .	25

What is Mr. and Mrs. K's maximum allowable contribution deduction for 1981?

a. $223 b. $230 c. $255 d. $390 e. $415

126. On May 1, 1981, lightning struck Mr. D's television antenna causing damages to his television set. Mr. D had purchased the television for $600. The fair market value of the television before the lightning struck was $500 and $100 after. Mr. D received insurance proceeds of $300 for the television. On May 2, 1981, Mr. D returned home after work and discovered his silver coins missing. The fair market value of the coins before the theft was $400 and they were not insured. Their basis was $200. What is Mr. D's casualty loss deduction?

a. $100 b. $300 c. $400 d. $500 e. $700

127. Which of the following items is a deductible travel expense?

a. Mr. A, a store owner, pays taxi fares to and from his store and home each day.
b. Mr. B, an insurance agent, incurs the cost of meals on days when he services clients 15 miles from his office.
c. Mr. C, a consultant, incurred expense for meals while returning from a 12-hour business trip.
d. Mr. D, a Pittsburgh lawyer, incurred laundry expenses while in Boston defending a client.
e. Mr. E, a plumber, incurred auto expenses while returning from a vacation.

128. Mr. T traveled to Philadelphia for a 5-day business convention and took his wife with him. She assisted him with incidental services such as typing and entertaining customers. Mr. T paid $240 for a double room. The single rate was $200. The total cost of meals equally incurred was $100. The cost of operating Mr. T's auto to and from Philadelphia was $50. What is Mr. T's deductible business trip expense?

a. $50 b. $290 c. $300 d. $350 e. $390

129. In 1981, Mr. R paid country club dues of $1,000. the club was used as follows:

Personal use. . . .	25%
Directly related entertainment. . . .	30%
Associated entertainment. . .	15%
Business meals. . . .	30%

Mr. R's allowable deduction for club dues is?

a. -0- b. $450 c. $600 d. $750 $1,000

130. T F Anyone who prepares a return or claim for a refund as a fiduciary is NOT covered by the federal preparer rules.

131. T F The $100 federal negligency penalty may be applied to a preparer for failing to compute and show on returns the additional tax for underpayment of estimated tax.

132. T F A single return prepared by several preparers must be manually signed by all preparers to satisfy the federal law.

133. T F A preparer is NOT required to retain a completed copy of each return if he maintains a card file or a list of returns prepared to satisfy the federal law.

134. ____ Son supports his elderly parents, one of whom is [illegible] and legally blind, and the other who was 65 on January 1, 1982. How many dependency exemptions may son take for his parents?

135. ____ Assuming the parents file a return soley for refund purposes, how many dependency exemptions will son now be entitled to claim?

136. T F Employer reimbursements of moving expenses, even if they don't exceed deductible expenses incurred, are included in gross income.

137. T F Turkeys, hams, etc., distributed to employees at Christmas time are taxable to the employee.

138. T F Employer-paid medical reimbursements from company medical plans established for the benefit of employees are includable in employees' gross income.

139. T F As a general rule, interest income is taxable only if the payor-bank pays $10 or more for the year.

140. T F Interest received on qualified All-Savers certificates is not eliglible for the interes[illegible] dividend exclusion.

141. T F When a surviving spouse elects to receive an installment payout (including principal) of insurance proceeds on the insured spouse's life, the first $1,000 of interest is tax free.

142. T F Suppose taxpayer, as surviving spouse, elects to have Insurance Co. reinvest all the proceeds, receiving only the interest payments (and no principal). Surviving spouse can still exclude the first $1,000 of interest.

143. T F Dividends on life insurance policies are taxable only to the extent they exceed the dividend-interest exclusion.

144. T F When a corporation declares and pays a dividend in stock (or stock rights), the shareholder doesn't have to take the value of the additional shares into income.

145. T F Suppose the corporation offers shareholder a "choice" between cash or an equivalent amount of stock in the corporation; the value of the stock **MUST** be taken into income.

146. T F Capital gain dividends, distributed by mutual fund companies, are eligible for the dividend-interest exclusion, and only the 'excess' capital gain portion need be reported on Schedule D.

147. Seller sells ABC Corp. common stock to purchaser on 7/1/81. Under the following circumstances, who must report the mid-year dividend on ABC?

____ ABC declared the dividend on 6/1/81 to shareholders of record 6/15/81

____ ABC declared the dividend on 7/1/81 to shareholders of record 7/15/81

____ ABC declared the dividend on 6/1/81 to shareholders of record 6/15/81 and paid on 7/6/81

148. On the facts below, how much will each taxpayer have to report in 1981 income on account of the recovery of previously deducted items:

____ a. 25% bracket taxpayer 'paid' $750 in state income tax for which he took an itemized deduction on his 1980 tax return. In 1981 he received a refund of $150

____ b. Same facts as (a) except only $500 of the itemized state income tax deduction did the taxpayer any good

____ c. Same facts as (a), except only $650 of the itemized state income tax deduction did the taxpayer any good

149. Investor buys a 6-month $20,000 certificate of deposit, interest guaranteed at 15%, on 9/1/81. How much interest income must investor report in 1981?

a. $1,200 b. $600 c. $333 d. -0- e. none of above

150. In addition to direct moving expenses (e.g., the cost of moving household goods and personal effects), certain indirect expenses are also deductible, such as:

a. pre-move househunting expenses
b. qualified residence sale/purchase expenses
c. temporary living quarters expenses
d. all the above
e. none of the above

151. There's a ____ dollar overall limit on indirect expenses; and househunting and temporary living quarters expenses can't exceed ____________.

152. Does the taxpayer qualify for a moving expen deduction in the following situations:

____ a. Taxpayer's old home was 40 miles from his old job, and it's 74 miles from his new job

____ b. Same as (a) except the old home is 75 miles from the new job

____ c. Same as (b) except the taxpayer's new home is only 24 miles from the old home

153. There's a ceiling on business gifts. Suppose taxpayer gives two gifts, each worth $23 to Mr. and Mrs. Jones, a married couple. How much of a deduction is taxpayer entitled to? (Mr.J is T/P's client)

a. $23 b. $25 c. $46 d. $50 e. -0-

154. Under the automatic mileage allowance a taxpayer is entitled to ____ cents per mile for the first ______ business miles traveled and ____cents per mile thereafter.

155. Annual contributions to Individual Retirement Arrangements (IRA) are limited to 15% of earned income up to a maximum of$____ in the case of a spousal account$________.

156. T F There is a special tax-free rollover of a lump-sum distribution from a qualified retirement plan to IRA, provided the rollover occurs within 60 da after the distribution s received.

157. A sole proprietor's Keogh plan deductible contributions generally can't exceed the lesser of ____ or ____% of earned income.

158. T F If a taxpayer prematurely withdraws money from a long-term certificate of deposit, he or she must report the 'full' amount of interest credited and then take an adjustment-to-income deduction for the amount of interest forfeited as a penalty.

159. Do any of the following alimony payments, made pursuant to a divorce decree, qualify as periodic: (answer yes or no to each)

____ a. Husband is to pay wife $300 a month until wife dies or remarries.

____ b. Husband is to pay wife $300 a month for nine years.

____ c. Husband is to pay wife $300 a month for 121 months.

____ d. Wife is to pay husband $300 a month for nine years, but payments are to cease if he dies or remarries.

160. Pursuant to a 1976 court decree of divorce, H is to pay W $300 a month for 121 months. In 1981, H pays $4,000 to W. How much can H deduct as alimony?

a. -0- b. $3,600 c. $3,630 d. $4,000 e. None of above

161. Assume the same facts as above, except H had $300 of alimony arrearages from 1980. How much alimony can H deduct in 1981?

a.-0- b. $3,600 c. $3,630 d. $3,930 e. $4,000

162. How much of the payments are deductible alimony if the divorce decree provides as follows:

_____ a. Husband shall provide $600 a month for the support of wife and minor child

_____ b. Husband shall provide $600 a month for the support of wife and minor child, but husband's payments shall be reduced to $300 a month once child attains majority or dies

_____ c. Husband shall provide $300 a month for the support of wife. A separate clause provides that husband shall provide $300 a month for the support of minor child, but said obligation shall cease if child attains majority or dies.

163. The court decree provided H was to pay W $3,600 a year in alimony and H was to pay W $3,600 a year in child support. In 1981, H paid W $5,000. How much is deductible?

a. -0- b. $1,400 c. $2,500 d. $5,000 e. $7,200

164. Assume the same facts as above, except husband paid only $3,200 to W in 1981. How much is his alimony deduction?

a.-0- b. $1,600 c. $3,200 d. $3,600 e. None of above

165. T F If a taxpayer is ineligible to use all or part of the applicable ZBA, the excess of "unused" ZBA must be added back to AGI.

166. T F In determining "unused" ZBA for an individual who is a dependent of another taxpayer, the "lesser" of earned income or itemized deductions is applied against ZBA.

167. Tom Jones paid $400 for medical care insurance i 1981. If Tom had an AGI of $5,000 and no othe medical expenses, his medical expense deduction for the year is:

a. $400 b. $250 c. $200 d. $150 e. $100

168. T F Purely cosmetic surgical procedures, such as nose jobs and face lifts, are not deductible medical expenses.

169. T F Where a deduction has already been taken for a medical expense and a later insurance recovery exceeds anticipated levels, an amended return must be filed for the earlier year, reducing the deduction.

170. Taxpayer can take a 1981 medical deduction of $900 ($150 insurance premium and $750 excess of 3% of AGI). In March, 1982, he receives an insurance reimbursement of $1,000. As taxpayer's return preparer, would you advise:
a. Take a $900 medical deduction for 1981
b. Take a $150 medical deduction for 1981
c. Take no medical deduction for 1981
d. None of the above

171. T F Any state and local income taxes, even incurred in a trade or business (or income-producing activity), must be taken as an itemized deduction rather than an (above-the-line) adjustment to income.

172. T F Real property taxes paid to a foreign government are not deductible.

173. T F The general sales tax table is geared exclusively to the taxpayer's AGI.

174. T F A tenant-shareholder in a cooperative apartment may not deduct his pro rata share of the mortgage interest and real estate taxes paid, since the obligation is properly the owner-corporation's.

175. $_____ Taxpayer borrows $100,000 to purchase tax-free municipal bonds. If he paid $1,000 in interest on the loan in 1981, how much can he duduct?

176. T F If the sale of donated property would produce short-term captial gain (or ordinary income), then a charitable contribution for such property would be limited to the donated property's adjusted basis.

177. T F If the sale of donated property would produce long-term capital gain, then the charitable contribution deduction would generally be measured by the fair market value of the donated property.

178. Taxpayer donates a painting worth $20,000 (purchased years ago for $6,000) to Alma Mater U. Alma Mater then sells the painting for $20,000.

___ a. What is taxpayer's charitable contribution for the painting?

___ b. What is the charitable contribution deduction, if taxpayer had required college to show the painting in the library?

179. In 1980, taxpayer with an AGI of $20,000 contributed $7,000 in cash to Church and $3,500 in cash to a private nonoperating foundation. What is taxpayer's carryover charitable contribution for 1981?

a. $3,500 b. $2,300 c. $1,500 d. $500 e. -0-

180. Taxpayer sells stock worth $9,000 to Public Charity for $3,000, his cost some years ago. What are the consequences to taxpayer in 1981?

a. $9,000 charitable contribution
b. $6,000 charitable contribution
c. $6,000 charitable contribution, $3,000 long-term capital gain
d. $6,000 charitable contribution, $2,000 long-term gain
e. None of the above

181. Assume the same facts as in previous question, except the stock contributed would have produced short-term gain if sold. Now what consequences to T/P?

a. $9,000 charitable contribution
b. $6,000 charitable contribution
c. $3,000 charitable contribution
d. $3,000 charitable contribution, $3,000 short-term capital gain
e. -0-

182. Taxpayer's automobile was totally demolished in a traffic accident. At the time of the accident, the car's basis was $5,000, but it was worth only $3,000.

____ a. What is taxpayer's casualty loss deduction if the car was a personal-use auto and there was no insurance?

____ b. What is the taxpayer's casualty loss deduction if the car was used entirely in business and there was no insurance.

183. T F John and Bill Taxpayer, brothers, jointly own [illegible] one-family residence that was destroyed by fir[illegible] Even though there was only one casualty, each of the brothers must apply the $100 limitation against his share of the loss.

184. For 1981, husband has $500 of gambling winnings and $1,000 of gambling losses. Wife has $250 of gambling winnings.

_____a. What is the amount of husband and wife's wagering loss deduction, if a joint return is filed?

_____b. What is the amount of the deduction, if separate returns are filed?

185. $_____ In 1981, Bill and Jane Short adopted a qualified child and spent $1,800 on qualified adoption expenses, such as attorney fees, court costs, etc. The Shorts can claim a deduction for such expenses in 1981 of:

186. T F Taxpayer's itemized deductions in 1980. The renter refund that they received in 1981 must be claimed as income on their 1981 tax return.

187. T F Jack is going to file a separate return even though he is married. His wage income was only $8,000 and he received $3,000 in unemployment[illegible] He doesn't have to claim the unemployment becaus[illegible] it is less than the minimum amount.

MID-TERM EXAM

SECTION 2

PROBLEMS

A. Complete a Schedule A for Paul and Mary Cobbler. Their gross income is $16,000; federal tax withheld $1,300, state tax withheld; $464. They have 3 dependent children. They present to you, the preparer, the following information for itemizing:

Premiums for hospital insurance	$480
Medicine and drugs	220
Eyeglasses for daughter	80
Eyeglasses for wife's mother	80
Hospital bill for son's broken arm	240
Reimbursement from hospital insurance	60
Doctor bill for family	99
Reimbursement from insurance on doctor bill	59
Hospital bill for wife's mother	200
Real estate taxes on personal residence	211
Real estate taxes on wife's mother's residence	66
Personal property taxes	63
Cost of auto tags	22
First Church of Wyoming	1,200
American Red Cross	25
Value of one pint blood donated to Red Cross	12
United Fund Campaign	300
Men's Golf club dues	120
Interest on personal loan at 1st. National Bank	120
Interest on home mortgage	820
Finance charge on credit card	106
School lunches for children	160
Locker fee for children at school	9
Safe depost box rental to keep birth certificates and old family photographs	16
Fee to vet for rabies shots for puppy	12
Sales tax paid, per receipts	184
Cost of 2 dinners (United Fund Kick-off Rally)	12
YMCA Family Health Club dues	120

SEE SCHEDULE A--ITEMIZED DEDUCTIONS (next page)

Schedules A&B
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040

Your social security number

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (*See page 17 of Instructions.*)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶
2 Medicine and drugs
3 Enter 1% of Form 1040, line 31
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero
5 Balance of insurance premiums for medical care not entered on line 1
6 Other medical and dental expenses:
a Doctors, dentists, nurses, etc.
b Hospitals
c Transportation
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶
7 Total (add lines 4 through 6d)
8 Enter 3% of Form 1040, line 31
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 ▶

Taxes (*See page 18 of Instructions.*)

11 State and local income
12 Real estate
13 a General sales (see sales tax tables)
b General sales on motor vehicles
14 Personal property
15 Other (itemize) ▶
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶

Interest Expense (*See page 18 of Instructions.*)

17 Home mortgage
18 Credit and charge cards
19 Other (itemize) ▶
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶

Contributions (*See page 19 of Instructions.*)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶
22 Other than cash (see page 19 of Instructions for required statement)
23 Carryover from prior years
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶

Casualty or Theft Loss(es) (*You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.*) (*See page 19 of Instructions.*)

25 Loss before reimbursement
26 Insurance or other reimbursement you received or expect to receive
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero
28 Enter $100 or amount from line 27, whichever is smaller
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶

Miscellaneous Deductions (*See page 19 of Instructions.*)

30 a Union dues
b Tax return preparation fee
31 Other (itemize) ▶
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶

Summary of Itemized Deductions (*See page 20 of Instructions.*)

A

33 Total medical and dental—from line 10
34 Total taxes—from line 16
35 Total interest—from line 20
36 Total contributions—from line 24
37 Total casualty or theft loss(es)—from line 29
38 Total miscellaneous—from line 32
39 Add lines 33 through 38
40 If you checked Form 1040, Filing Status box:
2 or 5, enter $3,400
1 or 4, enter $2,300
3, enter $1,700
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) ▶

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

B. Prepare Form 3903 based on the following information:

Stanley Mover, his wife Irene, and their two children, moved from Chicago to San Carlos, CA. Stanley's new job is 2,222 miles from the former residence and his former job was 10 miles from his former residence. He started his new job on April 1, 1981, and he is still employed on April 6, 1982. He had the following expenses in connection with his move:

Mrs. Mover's premove house hunting trip (includes travel, meals, lodging)	$ 399.05
Downpayment on new residence in San Carlos	4,000.00
Real estate commission paid on sale of former residence	2,200.00
Loss on sale of former residence in Chicago	1,500.00
Amount paid for moving household goods and personal effects	1,810.20
Expenses of driving to San Carlos by most direct route:	
Mileage (start 13,613; end 15,588.1)	
Meals and lodging	353.13
Cost of temporary housing for 30 consecutive days (Motel rooms)	653.90
Meals	453.18

Form **3903**
epartment of the Treasury
ernal Revenue Service (0)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. [illegible]

1981

Name(s) as shown on Form 1040

Your social security number

(a) What is the distance from your former residence to your new job location? .... miles

(b) What is the distance from your former residence to your former job location? .... miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects . . . . 1 ______

2 Travel, meals, and lodging expenses in moving from former to new residence . . . . 2 ______

3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job . . . . . 3 ______

4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job . . . . 4 ______

5 Total. Add lines 3 and 4 . . . . 5 ______

6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year) . . 6 ______

7 Expenses for: (Check only one box)
(a) ☐ sale or exchange of your former residence; or,
(b) ☐ if renting, settlement of unexpired lease on your former residence . . 7 ______

8 Expenses for: (Check only one box)
(a) ☐ buying a new residence; or,
(b) ☐ if renting, getting a lease on a new residence . . . . 8 ______

9 Total. Add lines 6, 7, and 8 . . . . 9 ______

Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*

10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year) . . . . 10 ______

11 Total moving expenses. Add lines 1, 2, and 10 . . . . 11 ______

12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2 . . . . 12 ______

13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22 . . . . . . 13 ______

14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement" . . . . 14 ______

C. Prepare Form 2106 from the following information:

Tom Brown (789-12-4573) is employed as an outside salesman for ABC, Inc., of Portland, OR. During 1981 he paid travel, entertainment and automobile expenses and he received a partial reimbursement of $2,471.25 from his employer. The basis of the car, purchased in 1981, was $7,000. The first year ACRS depreciation was $1,312.50, calculated as follows: $7,000 (basis) x 75% (% of business use) x 25% (percentage of first year depreciation under ACRS.

Tom's expenses were as follows:

Customer entertainment	$1,800.00
Airplane fares	120.00
Meals and lodging	250.00
Gasoline	2,400.00
Repairs	300.00
Tires and supplies	500.00
Insurance	450.00
License	75.00
Interest	200.00
Miscellaneous	100.00
Parking fees	70.00

Total miles driven	26,667
Business miles driven	20,000
Business usage	12 months

(SEE FORM 2106 NEXT PAGE)

Form **2106**
Department of the Treasury
Internal Revenue Service (X)

Employee Business Expenses

(Please use Form 3903 to figure moving expense deduction.)
▶ Attach to Form 1040.

OMB No. 1545-0139
1981

Your name

Social security number

Occupation in which expenses were incurred

Employer's name

Employer's address

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Instructions

Use this form to show your business expenses as an employee during 1981. Include amounts:

- You paid as an employee;
- You charged to your employer (such as by credit card);
- You received as an advance, allowance, or repayment.

Several publications available from IRS give more information about business expenses:

Publication 463, *Travel, Entertainment, and Gift Expenses.*

Publication 529, *Miscellaneous Deductions.*

Publication 587, *Business Use of Your Home.*

Publication 508, *Educational Expenses.*

Part I.—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these expenses in Part I and use them in figuring your adjusted gross income on Form 1040, line 31.

Line 2.—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips when you did not need sleep or rest.

Line 3.—If you use a car you own in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Part IV. You can take either the cost of your actual expenses (such as gas, oil, repairs, depreciation, etc.) or you can use the standard mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. If you use the standard mileage rate to figure the cost of business use, the car is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. After 60,000 miles of business use at the maximum rate, the car is considered to be fully depreciated. (For details, see Publication 463.)

Caution: You cannot use the mileage rate for a leased vehicle.

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

Line 4.—If you were an outside salesperson with other business expenses, list them on line 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For details, see Publication 463.)

Line 5.—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

Part II.—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. (For details, see Publication 529.)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see Publication 587.)

If you show education expenses in Part I or Part II, you must fill out Part III.

Part III.—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see Publication 508.)

Part IV, line 8—Depreciation

Cars placed in service before 1/1/81:
You must continue to use either the standard mileage rate or the method of depreciation you used in earlier years. You cannot change to either of the new methods available in 1981.

Cars placed in service after 12/31/80:

If you placed a car in service in 1981 and you do not use the standard mileage rate, you must use the new Accelerated Cost Recovery System (ACRS). One method lets you deduct the following percentages of your cost basis regardless of what month you placed the car in service:

1981—25%
1982—38%
1983—37%

Example: You bought a new car, without a trade-in, for $10,000 in September 1981, and used it 60% for business. Your basis for depreciation is $6,000 ($10,000 × 60%). For 1981 your depreciation deduction is $1,500 ($6,000 × 25%). If your percentage of business use changes in 1982, you must refigure your basis for depreciation.

There is also an alternate ACRS method under which you may use a straight-line method over a recovery period of 3, 5, or 12 years.

Note: *If you use the mileage rate, you are considered to have made an election to exclude this vehicle from ACRS.*

You do not have to consider salvage value in either of these methods. Please see Publication 463 for details on how to figure the deduction under either method.

PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

1 Fares for airplane, boat, bus, taxicab, train, etc. . . . .
2 Meals and lodging . . . .
3 Car expenses (from Part IV, line 21) . . . .
4 Outside salesperson's expenses (see Part I instructions above) ▶
5 Other (see Part I instructions above) ▶
6 Add lines 1 through 5 . . . .
7 Employer's payments for these expenses if not included on Form W-2 . . . .
8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 23 .
9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 20 . . . .

PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

1 Business expenses not included above (list expense and amount) ▶
2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040) . . . .

PART III.—Information About Education Expenses Shown in Part I or Part II

1 Name of educational institution or activity ▶ ....

2 Address ▶ ....

3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☐ No

4 Will this study program qualify you for a new job? ☐ Yes ☐ No

5 If your answer to question 3 or 4 is Yes, you cannot deduct these expenses. If No, explain (1) why you are getting the education, and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶ ....

6 List your main subjects, or describe your educational activity ▶ ....

PART IV.—Car Expenses (Use either your actual expenses or the mileage rate.)

	Car 1	Car 2	Car 3
A. Number of months you used car for business during 1981	months	months	months
B. Total mileage for months in line A	miles	miles	miles
C. Business part of line B mileage	miles	miles	miles
Actual Expenses (include expenses on lines 1–5 for only the months shown in line A, above.)			
1 Gasoline, oil, lubrication, etc.			
2 Repairs			
3 Tires, supplies, etc.			
4 Other: (a) Insurance			
(b) Taxes			
(c) Tags and licenses			
(d) Interest			
(e) Miscellaneous			
5 Total (add lines 1 through 4(e))			
6 Business percentage of car use (divide line C by line B, above)	%	%	%
7 Business part of car expense (multiply line 5 by line 6)			
8 Depreciation (see instructions on front) **Caution:** *If you use ACRS, skip line 9 and enter the amount from line 8 on line 10.*			
9 Divide line 8 by 12 months			
10 Multiply line 9 by line A, above			
11 Total (add line 7 and line 10; then skip to line 19)			

Mileage Rate

12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above		miles
13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here		
14 Enter any combined mileage from line C that is over 15,000 miles	miles	▨
15 Multiply line 14 by 11¢ and enter here		
16 Total mileage expense (add lines 13 and 15)		
17 Business part of car interest and State and local taxes (except gasoline tax)		
18 Total (add lines 16 and 17)		

Summary

19 Enter amount from line 11 or line 18, whichever you used	
20 Parking fees and tolls	
21 Total (add lines 19 and 20). Enter here and in Part I, line 3	

D. Prepare a support statement on the reverse side of this page. Jan Allison has been separated from her husband since 1977 and her two children John, age 4, and Joan, age 14, both live with her. Their father contributes $100 per month support for each child. The divorce agreement is silent as to tax dependency.

Jan pays $360 per month for food and lodging, utilities average $60 per month. She paid her neighbor $500 for care for John while she worked. She also paid $750 in medical and clothing expense for John and $500 medical and clothing expense for Joan.

Show a computation for the mother's support for each child and determine if the mother or the father can claim John and Joan.

E. UNEMPLOYMENT:

Jim Smith, single, had gross income of $20,000, plus unemployment received of $3,000. His tax return also indicated a moving expense of $1,000.

a. His taxable unemployment was:
a. $3,000 b. -0- c. $1,000 d. $2,000

b. Assuming that Jim had All-Saver interest which was not taxable on the federal return in the amount of $600, the unemployment taxable to the Sate of Oregon would be: (Jim had no other interest income)

a. $3,000 b. -0- c. $1,000 d. $2,000 e. $1,200

F. TAX BENEFIT LAW:

Taxpayer itemized 1980 tax return. The state tax deduction on the 1980 return was $800. Excess itemized deductions on Schedule A totalled $950. Refund received from the state in 1981 was $150.

a. $_______How much is taxable on 1981 federal tax return?

The state tax deduction on 1980's return was $1200. The excess itemized deductions totalled $1,000. Refund received in 1981 was $300.

b. $_______How much is taxable on the federal return?
The sate tax deduction on 1980 return was $800. The real estate tax deduction was $400. Excess itemized deductions totalled $1,000. State tax refund received in 1981 was $300. The Homeowner property tax refund was $100.

c. $_______How much is taxable on the federal return?

d. $_______ How much is taxable on the state return?

G. SCHEDULE B

Prepare a Schedule B for Mr. and Mrs. Taxpayer from the information given:

Dividend income:	
Sub chapter S Corp.	$15.00
Real estate investment mutual fund (Capital gain dividend: $20)	40.00
Lloyds of London	10.00
AT&T	5.00
Patronage dividends	4.00
Credit Union	25.00
Mutual of N.Y. on life insurance	30.00

Interest income:.	
Series E bonds	$20.00
P.G.E. Bonds	30.00
Mutual of New York on dividends	3.00
Real estate contract	100.00
City of Portland bonds	50.00
City of L.A. bonds	60.00

a. What is the amount of the interest/dividend exclusion?
$____________

b. What are the Oregon additions: $________
Subtractions: $__________

Schedule B—Interest and Dividend Income

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)

Your social security number

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	▨
1b Total. Add above amounts	
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	▨
1d Total	▨
1e Exclusion (See page 20 of Instructions) .	▨
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d* .	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer		Amount
3		
4 Total. Add above amounts		
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below . . .		▨
6 Nontaxable distributions (See Instructions for adjustment to basis)		▨
7 Total (add lines 5 and 6)		
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b		

B

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? . . . . If "Yes," you may have to file Forms 3520, 3520–A, or 926.		

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

SESSION X
BASIS OF ASSETS, DEPRECIATION

Reading Assignment:	Publication 17, ch. 18, 26 Publication 334, ch 6, 13 Publication 225, ch 6, 12
Forms Required for Class Handouts:	Form 4562 (2) Oregon Depreciation Schedule (2)

I. Review

   A. Review Mid-Term taken in previous session

   B. Review assignment not covered in last session

   C. Answer all questions students have at this time before going into new material.

II. Introduction to New Material

III. Teaching Hints:

   A. Vocabulary (Student Workbook)

   B. Interview Questions (Student Workbook)

   C. Basis Reference Chart
      Depreciation Chart (Student Workbook)

IV. Problems for students to work in class or as homework.

V. Reading assignment and homework for following session

VI. Short quiz

VII. Resources for teachers:

   A. Publication 534, Tax Information on Depreciation

   B. Publication 551, Tax Info. on Basis of Assets

   C. Keys to Problems and Quiz

   D. Transparencies: Form 4562
      1. Form 4562
      2. Oregon Depreciation Schedule

II. INTRODUCTION OF NEW MATERIAL

A. Basis of Assets

It is necessary to know the "basis", or value of property, in order to determine the gain or loss on the sale or exchange of the property, or to calculate deductions for depreciation, amortization, and depletion. See Basis Reference Chart (Student Workbook).

1. Purchased Property: Basis is generally cost, when purchased in an "arm's length" transaction. Adjusted basis is cost:
   - a. Increased by certain additions, e.g.:
     - 1) Cost of permanent improvements.
     - 2) Assessments, legal fees and finance charges to be capitalized
     - 3) Purchase commissions, installation costs.
   - b. Decreased by receipts that represent a return of capital, e.g.:
     - 1) Depreciation allowed or allowable in prior years.
     - 2) Depletion
     - 3) Casualty losses
     - 4) Nonrecognized gains
2. Inherited Property: Generally, the basis of inherited property is the FMV at date of decedent's death.
3. Property used for both business and personal use: Basis must be allocated.
4. Property held for personal use and converted to business use: Basis is the lower of FMV or adjusted basis at the time of conversion.
5. Trade-ins: Basis of the property acquired is the adjusted basis of the property traded in, increased by any boot paid, or decreased by any boot received.
6. Gifts
   - a. Before 1921 - fair market value at time gift.
   - b. After 1920, before 1977
     - 1) If the FMV was less than donor's basis - use donor's basis + gift tax paid
     - 2) If the FMV was greater than donor's basis - use FMV
     - 3) Donor's basis + gift tax paid cannot be more than FMV
   - c. After 1976:
     - 1) Donor's basis + % of gift tax allocated to net increase of gift.

B. Depreciation

Depreciation, Amortization, and Depletion are methods of systematically recovering the capital invested in a business asset. Generally, any business asset with an expected useful life of more than one year and costing $100 or more should be depreciated; it may not be deducted as an expense in the year purchased.

1. Must be business asset: Cannot depreciate personal home, car, or other capital assets. If an asset is used for part business, part personal, only the business portion may be depreciated. Land cannot be depreciated since it does not have a limited life.

2. Depreciation is "allowed or allowable": Depreciable property must be depreciated. Basis will be reduced by the amount of depreciation allowable even though it may not have been taken.

3. Oregon depreciation and federal law prior to 1981
   a. Useful life: The number of years you expect to use the asset in your trade or business; determined on the basis of replacement policy, operating conditions, or you may use the Class Life Asset Depreciation Range System or Class Life System. For helpful guidelines, see chart (Student Workbook) and Publications 534 and 551.
   b. Salvage value The estimated value at the end of useful life. May be junk value or estimated trade-in value.
      1) An asset cannot be depreciated below its salvage value.
      2) If acquired personal property (other than livestock) has a useful life of at least three years and salvage value is less than 10% of the basis, salvage value may be disregarded.
      3) Salvage value may be reduced by up to 10% of the cost.

c. "Bonus" or Additional First Ye Depreciation (20% of cost without rega to salvage value):

   1) Taken in full in year of purchase
   2) Reduces remaining basis for depreciation.
   3) Limited to $20,000 cost of property on a joint return, or $10,000 on a separate return.
   4) Property must be personal property with a life of at least six years. May not be real or intangible property.
   5) If a trade-in is involved, use additional depreciation on the boot only.

d. Depreciable Basis: The basis on which depreciation is computed. Cost or other basis, less land, less salvage value, less additional first year depreciation.

e. Methods of Depreciation:

   1) Straight line depreciation: Approved for all types of property, most common type used. Divide depreciable basis by useful life. Can be chosen for any type of property. See Depreciation Chart and Depreciation Finder.
   2) Declining balance: A percentage applied to the declining balance of t remaining basis. Salvage value is not subtracted, but depreciation cannot be taken below the salvage value. The property must have a useful life of at least three years.
      a) Start with basis, subtract all prior depreciation taken, calculate straight line on the balance, then apply 125%, 150%, or 200% to the result.
         (1) 200% DB may be used for new residential rental property or new tangible personal property.
         (2) 150% DB may be chosen for used tangible personal property or new non-residential real property.
         (3) 125% DB is for used residential rental property with a life of at least twenty years.
         (4) There is no straight DB method.
   3) Sum of the Years Digits (SYD): Depreciable basis multiplied by a fraction. Numerator = number of years of life remaining (includes curren

year). Denominator = sum of the digits

a) Salvage value is subtracted.

b) Allowed only on property that meets the 200% declining balance method.

c) Formula for figuring denominator:

$$\underline{U} \times \frac{\underline{(U+1)}}{2} \qquad (U = \text{useful life})$$

d) **Note:** A fast and simple way to find the denominator is to multiply the estimated useful life by the estimated useful life plus one. Then divide the result by two.

e) Example 1. The annual depreciation allowances for an asset purchased January 2, 1980, with a basis of $3,000, a life of 5 years, and no salvage value, is determined as follows:

Year	Cost or other basis less salvage	Fraction	Allowable depreciation
1980	$3,000	5/15	$1,000
1981	3,000	4/15	800
1982	3,000	3/15	600
1983	3,000	2/15	400
1984	3,000	1/15	200

f) When you buy an asset during the tax year, you must make additional computations to determine your depreciation deduction for each year. This is because you determine your depreciation separately for each year of the life of the asset and the asset's life does not coincide with your accounting period (calendar year). If you bought the asset in Example 1 on April 1, 1980, and if your tax year begins January 1, you may deduct only three-fourths of a full year's depreciation in 1980. You deduct the remaining one-fourth of the first year's depreciation in 1981. Thus, except for the first and last years, your depreciation deduction consists of parts of 2 different years

Year of life of Asset	Depreciation for 12 months
1st	$1,000
2nd	800
3rd	600
4th	400
5th	200

Allowable depreciation each year

1980	1981	1982	1983	1984	1985
3/4 $750	1/4 $250				
	3/4 $600	1/4 $200			
		3/4 $450	1/4 $150		
			3/4 $300	1/4 $100	
				3/4 $150	1/4 $50
$750	$850	$650	$450	$250	$50

4. A.C.R.S. (Accelerated cost recovery system) - Federal law after 1980.

   Under ACRS, the cost of depreciable property is recoverable over a 3-year, 5-year, 10-year period. A taxpayer may elect extended recovery periods. Standard recovery periods, property included in the prior periods and extended recovery periods are shown below.

Accelerated Cost Recovery Periods

Cost Recovery Period	Included Property	Optional Rcvry Period
3	Autos, light duty trucks, machinery and equipment used for research and experimentation and certain other property	5 or 12
5	Heavy duty trucks, office furniture, ships, aircraft, lathes, and most other machinery and equipment and single purpose agricultural and horticultural structures	12 or 25
10	Certain public utility property, railroad tank cars, and a few other properties	25 or 35
15	Most real property and some public utility property	35 or 45

ACRS will be to the taxpayer's benefit. The recovery periods are, in general, shorter than under old law. At the same time, disputes over estimated life should be eliminated. Further, salvage value can be ignored.

Under ACRS a taxpayer simply multiplies the unadjusted basis of property times a statutory percentage. The statutory percentages, which can be found in the table, depend on the property's class and the number of years since the property was placed in service by the taxpayer. No deduction is allowed on personal property in the year of its disposition. The depreciation deduction on real property will depend on the number of months the property was held during the year of disposition. For property placed in service during 1981 through 1984, the accelerated cost recovery system tables are based on the 150% declining-balance method in early years and switched to the straight-line method for the remainder of the recovery period. The method also assumes the use of a "half-year convention" for the year of acquisition. The convention is built into the table.

Taxpayers may elect the straight-line method of recovery costs. There are no tables. For personal property, the half-year convention applies and has the effect of extending the recovery period by one year.

Example: Miss Taxpayer acquires 5-year property in 1981 for $10,000. Her deduction is as follows:

	PERCENT	DEDUCTION
1981	10%	$ 1,000
1982	20%	2,000
1983	20%	2,000
1984	20%	2,000
1985	20%	2,000
1986	10%	1,000
	100%	$10,000

If a taxpayer elects the straight-line method of recovery, he must also elect it for all property of that class placed in service during the year the election is made. Once made, the election can be revoked only with IRS consent. As is the case for property depreciated under the accelerated method, no deduction is allowed in the year the property is disposed of.

SUMMARY OF RULES UNDER ACRS

Recovery Period	Depreciable property is divided into two categories and recovery periods of 3-years, 5-years, 10-years and 15-years established for categories. Elections permit extended recovery periods.
Salvage Value	Salvage value is ignored in ACRS depreciation.
Component depreciation	Component depreciation is not available under ACRS.
Depreciation method	Depreciation deduction is based on tables. From 1981-1984 the tables will be based on 150% declining balance, with a conversion to straight-line. For property acquired in 1985 the tables will be based on 175% declining balance with a conversion to straight-line. Beginning in 1986, the tables will be based on 200% declining-balance with a conversion to straight-line.
Half-year convention	For personal property, the tables assume a half-year's depreciation is taken during the year property is placed in servic For real property, the depreciation during first year will be based on the number of months the property was in service.
Final year elections	No depreciation is allowed in the year of disposition of personal property. Depreciation of buildings will be based on the number of months the property is held. Taxpayers may elect to use straight-line depreciation rather than the tables. In addition, taxpayers may elect extended recovery periods rather than the usual 3, 5, 10, or 15 years.
Example:	In 1981, Tom Jones buys $17,000 of machinery, $3,000 of office furniture and an $8,000 used light duty truck. The machinery and office furniture are 5-year properties and the used light duty truck is a 3-year property. His deduction would be as follows:

	Truck		Machinery and Furnitur	
	Rate	Deduction	Rate	Deduction
1981	25%	$ 2,000	15%	$ 3,000
1982	38%	3,040	22%	4,400
1983	37%	2,960	21%	4,200
1984			21%	4,200
1985			21%	4,200
		$ 8,000		$20,000

All Jones had to do was to multiply the cost of the machinery, furniture, and truck (unreduced by salvage value) by each year's appropriate percentage in the 3-year and 5-year recovery tables.

Form 4562 follows:

Form **4562**
(Rev. September 1981)
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return: Tom Jones

Identifying number:

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):						
(a) 3-year property	1981	8000	3	ACRS	25	1667
(b) 5-year property	1981	20,000	5	ACRS	15	3000

QUIZ; Session X: Basis of Assets and Depreciation

1. A new truck was purchased by the X Bakery for $6,000 and was paid for in part by trading in an old truck for which a trade-in allowance of $2,000 was made. The old truck had an adjusted basis of $1,500 at the time of the exchange. What is the basis of the new truck?

2. What is the basis for depreciation of a new rental house bought for $38,000 with land value of $7,500?

3. Your uncle died and left you his apartment house which he bought for $100,000 several years ago. He has taken $25,000 depreciation to date and had allocated $25,000 as land value. However, property values have risen considerably and the property on the date of his death had a fair market value of $200,000. What is your depreciation basis?

4. You bought a truck for use in your business for $6,000, allocated $1,000 as salvage value and took $1,500 depreciation on it over a two-year period. It turned out to be a collector's item and you are now prepared to sell it for $10,000. What is your adjusted basis?

5. Your personal residence cost only $20,000 five yea[illegible] ago. This included land of $10,000. You moved out and converted it to a rental at a time when you could have sold it easily for $45,000. What is your basis for depreciation? What is your basis for computing gain or loss if you sold it instead?

6. Depreciation on a rental begins on the date:

   A. the escrow papers are signed
   B. it is placed in service
   C. a downpayment is made
   D. a tenant moves in

7. 200% DB depreciation is allowable on:

   A. new residential rental housing
   B. new and old residential rental housing
   C. old residential rental housing
   D. all real property
   E. intangible personal property

8. Circle the requirement necessary to qualify property for the 20% additional first year depreciation.

   A. must be new property
   B. must be real property
   C. must have a useful life of at least 3 years
   D. must be tangible personal property
   E. all of the above

9. You may depreciate land:

   A. only to the value shown on the first property tax statement
   B. only in connection with an apartment house
   C. on business property only
   D. if it is farmland
   E. never

10. If all other conditions are met, you may take additional first year depreciation on:

   A. a new business building
   B. a citrus orchard
   C. inherited property if used for business
   D. residential rental housing
   E. a new delivery truck

11. You purchased a machine for your business on July 6, for $8,000. You estimate the machine to last 12 years at which time its salvage value will be $1,500. You plan to use the 200% DB method but do not want to take the first year additional depreciation. The depreciation you may take is ________________.

12. T F The cost of a business asset with a useful life of one year or less can be fully deducted in the year of purchase, even if acquired and placed in service on the last day of the taxable year.

13. An estimate of the amount to be realized upon the sale of the asset when it is to be retired from service is called ________________________________.

14. All additional first year depreciation:
   A. is 20% of the cost minus salvage value
   B. is allowed in full only if the asset is purchased before July 1
   C. does not have to be subtracted from the basis for depreciation
   D. can be taken in addition to regular depreciation
   E. can be increased another 10% on property over $10,000.

15. If you are filing a joint return, the maximum amount additional first year depreciation which can be claimed on a business building costing $45,000 is:

A. $4,500
B. $9,000
C. $10,000
D. $20,000
E. none of these

16. If a taxpayer neglected to claim additional first year depreciation in the first year of purchase:

A. taxpayer may add this depreciation amount to the amount claimed the next year.
B. taxpayer may carry it forward for five years.
C. taxpayer may not deduct the unclaimed depreciation later
D. taxpayer can go back and amend the return
E. taxpayer must carry it back for 3 years and forward 7 years.

17. An asset:

A. may be depreciated below a reasonable salvage value if it is to the taxpayer's advantage
B. which is inherited qualifies for additional fir year depreciation only in the year of death
C. which is acquired by gift may be depreciated by either the sum-of-the-years digits method, or the 200% DB method
D. which is tangible personal property may be depreciated using the 150% DB method only if it is purchased new
E. must be for use in a trade or business or for income-producing purposes in order to depreciate it.

18. The cost of property on which an individual may take additional first year depreciation is limited to:

A. $ 2,000
B. 4,000
C. 10,000
D. 20,000
E. 40,000

19. To be depreciable property must have a useful life of more than:

A. one year
B. three years
C. five years
D. six years
E. ten years

20. Which of the following may be subject to depreciation and/or amortization:

A. patents and copyrights
B. franchises
C. designs, drawings, patterns
D. customer and subscription lists
E. all of the above
F. none of the above

21. Which of the following are subject to an allowance for depreciation?

A. goodwill
B. inventories
C. stock in trade
D. automobile used for commuting to work
E. land
F. trademarks and trade names
G. only B and D
H. none of the above

22. The taxpayer finds that, through an error, allowable depreciation on a machine was not taken last year. The unclaimed depreciation:

A. may be deducted in any later year
B. must be added to the basis of the asset
C. can be recovered in the current tax year
D. may be deducted by filing an amended return for open years
E. any of the above

23. For which of the following may you take depreciation and/or amortization:

A. farmland
B. goodwill
C. fence around your residence
D. copyrights
E. jeep for deer hunting

24. T F Under the ACRS accelerated method, the cost of real property is recovered over a 15-year period by using tables that have the half-year convention built into them.

25. T F Under the ACRS rules, taxpayers can use the accelerated method or the straight-line method for all depreciable property placed in service in 1981 on a property-by-property basis.

26. The ACRS recovery period is ____ years for automobiles and ____ years for office furniture.

27. T F ACRS does not apply to intangible property.

28. T F No adjustment for salvage value is required under ACRS.

29. T F To change from an accelerated method, (other than ACRS), to the straight line method of depreciation in later years, a taxpayer need not first obtain the consent of the IRS.

QUIZ KEY--Session X - Basis of Assets, Depreciation

1. $5,500
2. $30,500
*3. $150,000
4. $4,500
5. $10,000
$20,000
6. B
7. A
8. D
9. E
10. E
11. $667
12. True
13. Salvage value
14. D
15. E
16. C
17. E
18. C
19. A
20. E
21. H
22. D
23. D
24. False
25. False
26. 3, 5
27. True
28. True
29. True

*3. $25,000 land value = 25% of total $100,000 purchase.

Using same % to $200,000 FMV = $ 50,000 land value
$150,000 bldg value

KEY TO PROBLEMS - Session X - Basis, Depreciation

1. Form 4562 and Oregon depreciation schedule follows.

2. $80,000

3. $600

4. a. $\$111,111\ (\$150,000 \times \frac{\$100,000}{135,000})$

   b. $\$5,000\ (\$100,000 \times \frac{120}{2,400})$

5. $40,000

6. a. Since the cost ($24,000) of the property is less than the FMV ($48,000) at the time of conversion to business use, the cost is used as the basis of the whole property. The basis of the house for determining depreciation is:

   $11,000 (Assessed value of house in 1970) divided by $12,000 (Assessed value of house and land in 1970) X $24,000 (Total Cost) = $22,000 (Basis of house for depreciation).

   b. Since the FMV ($20,000) of the property at the time of conversion to business use is less than the cost ($24,000), the basis of the whole property would be $20,000 and the basis for depreciation of the house is:

   $24,000 (Assessed value of house at time of conversion to business use) divided by $28,000 (Assessed value of house and land at time of conversion to business use) X $20,000 (Basis of total property = $17,143 (Basis of house for depreciation).

7. Chris' basis = $1,800

FMV of car at date of conversion (new basis)	$2,600
less depreciation	800
New adjusted basis	$1,800

8. a. Yes, there is no requirement that the property be new.
   b. Yes
   c. No, real property does not qualify
   d. No, intangible property does not qualify
   e. No, property acquired by gift does not qualify

9. $3,000, figured under either of the following methods:

Method I

Purchase price of new press	$5,000
Less trade-in allowance on old press	2,000
Basis for 20% additional allowance	$3,000

Method II

Adjusted basis of new machine	$5,500
Less adjusted basis of old machine	2,500
Basis for 20% additional allowance	$3,000

10. The addition to the building qualifies for 150% declining balance, but does not qualify for additional first-year depreciation:

100% div. by 33 1/3 X 150% = 4.5%
4.5% of $11,000 X 1/2 = $247.50

(This represents the percent of depreciation per year times the basis times six months.)

11. Form 4562 and Oregon depreciation schedule follows.

Form **4562**
(Rev. September 1981)
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return: PROBLEM 1

Identifying number

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):						
(a) 3-year property	1981	26,750	3	ACRS	25	6688
(b) 5-year property	1981	15,150	5	ACRS	15	2273
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing	1-1-81	45,000	15	ACRS	12	5400
	1-1-81	20,000	15	ACRS	12	2400
2 Property subject to section 168(e)(2) election (see instructions):						
3 Totals (add amounts in columns C and G)						16,761
4 Depreciation from Part II, line 3						
5 Total (add column G, lines 3 and 4). Enter this amount on the depreciation expense line (where it applies) of your return						16,761

See Paperwork Reduction Act Notice on page 1 of the separate instructions.

Form 4562 (Rev. 9-81)

Oregon Depreciation Schedule 1981

Attach this form to your Oregon return.

Name: PROBLEM 1

Social Security number or withholding registration number:

Did you have property you began depreciating in 1981? If so, you must use 1980 federal law to figure your Oregon depreciation. You can't use the new federal Accelerated Cost Recovery System (ACRS). ACRS is the depreciation you claimed on Part I of federal Form 4562.

Use this schedule to figure your "Oregon changes" for property you began depreciating in 1981.

Don't use this schedule for property you began depreciating before 1981. Your Oregon depreciation for that property will be the same as the depreciation on your federal return.

Full-year residents—On Form 40, line 3, fill in the amount from line 6 of this schedule.

Part-year and nonresidents—On Form 40NR, line 23, (federal portion) fill in the amount from line 6 of this schedule. On Form 40NR, line 23 (Oregon portion), fill in the amount from line 6 of this schedule that is from:

- property you owned while an Oregon resident OR
- property used to produce Oregon income.

Note: The amount on line 6 of this schedule should include differences for depreciation on all property you began depreciating in 1981. This includes property you didn't use in an Oregon business.

For further instructions, see the separate instruction sheet 150-101-029.

For all assets placed in service after December 31, 1980

Description of property (a)	Date placed in service (b)	Cost or other basis (c)	Method of figuring depreciation (d)	Life or rate (e)	Oregon depreciation for property placed in service in 1981 (f)	Federal depreciation for the property (g)
1 Total additional first-year depreciation. See instructions for limits.→					3030	
2 Other depreciation:						
a. TRUCK	1-1-	25,000	200% DB	5	10,000	6250
b. TRACTOR	1-1-	12,000	150% DB	10	1800	2250
(COST $15,000, LESS $3000 A.F.Y.)						
c. BRICK BLDG.	1-1-	45,000	150% DB	50YR	1350	5400
(COST $50,000, LAND $5000)						
d. Rental House	1-1-					
(COST $25000, LAND $5,000)		20,000	125% DB	20YR	1250	2400
e. Adding machine	1-1-	120	200% DB	10YR	24	23
(COST $150, A.F.Y. $30)						
f. AUTOMOBILE	1-1-	1750	150% DB	4YR	656	438
(COST $3500, 50% personal)						

		(f)	(g)
3 Totals	3	18,110	16,761
4 Depreciation on assets listed above in ending inventory	4		
5 Balance. Line 3 minus line 4	5	18,110	16,761
6 Change in depreciation for Oregon. Line 5(g) minus line 5(f). Fill in this amount on Form 40 or Form 40NR. (See instructions above)	6	⟨1349⟩	

150-101-025 (10-81)

Form **4562**
(Rev. September 1981)
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return PROBLEM 11

Identifying number

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):						
#3 (500) #5 (10,000) (a) 3-year property	1981	10,500	3	ACRS	25	2625
#2 (10,500) (b) 5-year property #7 (75,000)	1981	85,500	5	ACRS	15	12825
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
#6 (f) 15-year real property other than low-income housing	1-2-81	50,000	15	SL		3333
2 Property subject to section 168(e)(2) election (see instructions):						
3 Totals (add amounts in columns C and G)						18,783
4 Depreciation from Part II, line 3						9250
5 Total (add column G, lines 3 and 4). Enter this amount on the depreciation expense line (where it applies) of your return						28033

See Paperwork Reduction Act Notice on page 1 of the separate instructions.

Form 4562 (Rev. 9-81)

Part II Assets placed in service before January 1, 1981 and other assets not qualifying for ACRS

	A. Description of property	B. Date acquired	C. Cost or other basis	D. Depreciation allowed or allowable in earlier years	E. Method of figuring depreciation	F. Life or rate	G. Depreciation for this year
	1 Class Life Asset Depreciation Range (CLADR) System Depreciation . . . . ▶						
	2 Other depreciation (for grouping assets, see instructions for Part II):						
	Buildings						
	Furniture and fixtures . .						
	Transportation equipment						
#4	TRUCK	?	25,000	10,000	200% DB	5	6000
#8	AUTO	1-1-80	10,000	5,000	150% DB	3	2500
	NOTE: CANNOT USE OPTIONAL METHOD AFTER USING ACCELERATED DEPRECIATION						
	Machinery and other equipment						
#1	COMPRESSOR	?	8000	3000	150% DB	5	750
	Other (specify)						
	3 Total (add amounts in column G). Enter here and in Part I, line 4						9250

Oregon Depreciation Schedule 1981

Attach this form to your Oregon return.

Name: PROBLEM 11

Social Security number or withholding registration number:

Did you have property you began depreciating in 1981? If so, you must use 1980 federal law to figure your Oregon depreciation. You can't use the new federal Accelerated Cost Recovery System (ACRS). ACRS is the depreciation you claimed on Part I of federal Form 4562.

Use this schedule to figure your "Oregon changes" for property you began depreciating in 1981.

Don't use this schedule for property you began depreciating before 1981. Your Oregon depreciation for that property will be the same as the depreciation on your federal return.

Full-year residents—On Form 40, line 3, fill in the amount from line 6 of this schedule.

Part-year and nonresidents—On Form 40NR, line 23, (federal portion) fill in the amount from line 6 of this schedule. On Form 40NR, line 23 (Oregon portion), fill in the amount from line 6 of this schedule that is from:

- property you owned while an Oregon resident OR
- property used to produce Oregon income.

Note: The amount on line 6 of this schedule should include differences for depreciation on all property you began depreciating in 1981. This includes property you didn't use in an Oregon business.

For further instructions, see the separate instruction sheet 150-101-029.

For all assets placed in service after December 31, 1980

Description of property (a)	Date placed in service (b)	Cost or other basis (c)	Method of figuring depreciation (d)	Life or rate (e)	Oregon depreciation for property placed in service in 1981 (f)	Federal depreciation for the property (g)
1 . Total additional first-year depreciation. See instructions for limits.→					4000	▨
2 Other depreciation:	▨	▨	▨	▨	▨	▨
(ONLY SHOW 1981 ACQUISITIONS)						
#2 NEW. COMPRESSOR	6-30-81	10,500				
BONUS (ON BOOT ONLY)		<1250>				
BASIS		9250	200%DB	7YRS	1321	1575
#3 Small Tools	1-2-81	500	SL	2YRS	250	125
#5 TRUCK	7-1-81	10,000	150%DB	5YRS	1500 (6mo)	2500
#6 WAREHOUSE	1-2-81	50,000	150%DB	50YRS	1500	3333
#7 FORKLIFT	1-2-81	75,000				
A.F.Y. DEPRECIATION		<2750>				
		72 250	200%DB	10YRS	14,450	11,250

		(f)	(g)
3	Totals	23021	18783
4	Depreciation on assets listed above in ending inventory		
5	Balance. Line 3 minus line 4	23021	18783

6 Change in depreciation for Oregon. Line 5(g) minus line 5(f). Fill in this amount on Form 40 or Form 40NR. (See instructions above) 6 4238

150-101-025 (10-81)

SESSION XI

SUPPLEMENTAL INCOME

(Rents, Royalties, Pensions, Annuities)

Reading Assignment:	Publication 17, Ch. 11,12, Review 13 Publication 334, Ch. 12, 17
Forms Required for Class Handouts:	Schedule E (1)

I. Review

- A. Review quiz taken in previous session
- B. Review assignment not covered in last session
- C. Answer all questions students have at this time before going into new material

II. Introduction of New Material

III. Teaching Hints:

- A. Vocabulary (Student Workbook)
- B. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Short quiz

VII. Resources for Teacher:

- A. IRS Publications:
  - Publication 530, Tax Information for Homeowners
  - Publication 721, Comprehensive Tax Guide on U.S. Civil Service Retirement Benefits
  - Publication 567, Tax Information on U.S. Civil Service Retirement and Disability Retirement
  - Publication 588, Tax Information on Condominiums and Cooperative Apartments
  - Publication 575, Tax Information on Pensions and Annuity Income
- B. Transparency, Schedule E
- C. Keys to Problems and Quiz

II. INTRODUCTION OF NEW MATERIAL

A. Rentals (if services provided, could be self-employment income).

1. Rental Income
    a. Security deposits
    b. Advance rent
    c. Cleaning fees

2. Rental expenses
    a. Depreciation

        Review examples with students on determining basis for rental property.

        Review with students what is meant by a "capital expenditure."

    b. Residence converted to rental unit
    c. Repairs and maintenance

        Give examples of repairs (painting, mending leaks) versus capital expenditures (new roof, central air conditioning).

    d. Insurance premium paid in advance
    e. Assessments

3. Property used both personally and in business

    Point out that deductions for rental units are limited if they are also used as a residence by the taxpayer.

    a. Vacation home rules

        Explain when a dwelling unit is considered used for personal use.

    b. Division of expenses

        Cover different examples of how the division of expenses is made when property is used by a taxpayer partly as a personal residence and partly for rental purposes.

4. Other rental situations

    a. Rental less than fair rental value

    b. Transactions between related taxpayers

B. Royalties

1. Royalty income

   Define royalties and give examples

2. Depletion allowance

   a. Cost depletion

      Point out that the taxpayer may use only the cost depletion method for standing timber.

   b. Percentage depletion

   c. Oregon depletion (Pub. 17 1/2)

C. Pensions and annuities

   Point out that when individuals receive pensions or annuities, they may exclude from income the amount they paid into them. This is baased on the principle that recovery of capital is not income. Point out also that Publication 575, Pension and Annuity Income covers pensions and annuities in detail.

1. Figuring the cost

   a. The three-year rule

      Point out to students the requirements for the three-year rule.

   b. The general rule

      Cover how to figure the exclusion percentage along with the necessary actuarial tables.

2. Disability pensions

3. Self-employed retirement plans

D. Partnerships, trusts, estates, small business corporations.

Examples of K-1's in Student Workbook

QUIZ: Session XI - Supplemental Income
Rents, Royalties, Pensions

1. A capital expenditure may:

   A. Add to the value of the property
   B. Add to the useful life of the property
   C. Has a useful life of more than one year
   D. Be depreciable over the useful life of the property or improvement
   E. B and D are correct
   F. All of the above are correct

2. Landlords who make their own repairs may deduct:

   A. Retail cost of materials purchased at a discount
   B. FMV of their own labor
   C. The value of their labor at a reasonable hourly rate
   D. The cost of materials used

3. Examples of repairs are:

   A. Plastering
   B. Wallpapering
   C. Painting
   D. New roof
   E. Mending leaks
   F. A, B, C, E
   G. All of the above

4. The two methods of computing depletion are:

   A.
   B.

5. How do you compute the exclusion ratio?

6. What is "investment in the contract"?

7. What are the two adjustments most frequently made in computing investment?

   A.
   B.

8. What are the two requirements for the Three-year-Rule?

   A.
   B.

9. Circle the correct answer.

Does the dollar amount of the exclusion ratio change if:

A. An annuitant receives a cost of living increase? yes no
B. An annuitant lives beyond 70 years? yes no
C. The number of beneficiaries changes? yes no

10. The basis for depreciation for property converted from personal to business use is the lesser of:

A.

or

B.

11. A taxpayer's annuity begins January 1, 1976 at $200 per month. On January 1, 1977, it is increased to $210 per month. The exclusion ratio in 1976 is 83%. In 1977, it will change to 81% because the expected return was increased. True or False

12. Jane Johnson, a federal employee, retired on June 30, 1980, and started receiving a pension as of July 1, 1980, at $180 per month. While employed with the federal government, she contributed $5,260 to the pension fund.

A. In what year does the pension become taxable?
B. What amount of the pension will be taxable on the next year's tax return?

13. Jerry Jackson, an employee of ABC Corp., retired on March 31, 1979, and started receiving pension benefits of $200 per month in April 1979. He had contributed $6,210 to the employer-employee financed fund.

During what tax year will Mr. Jackson first report taxable pension income?

14. When an employee dies, may a beneficiary use the Three-Year Rule?

15. How does the Three-Year Rule and the General Rule differ?

16. When must you use the Three-Year Rule?

17. When are you considered to use a dwelling unit as a residence for personal purposes?

18. What is considered a day of personal use for a dwelling unit?

19. Which of the following are includible in gross inco[illegible] as rents?

A. Painting and plumbing repairs totaling $400, paid by the tenant on behalf of the landlord.
B. A $200 payment made by a tenant for cancellation of a rental lease.
C. A $300 security deposit to be applied against the last month's rent.
D. $400 received by taxpayers for 10 days rental use of their personal residence.

20. How can a taxpayer recover the cost or basis of a copyright?

21. What method must be used in figuring the depletion allowance on timber?

QUIZ KEY--Session XI--Supplemental Income

1. F

2. D

3. F

4.
   A. cost depletion
   B. percentage depletion

5. $\frac{\text{Investment in the contract}}{\text{Expected return}} = \text{Exclusion ratio}$

6. The amount paid for an annuity

7.
   A. Refund feature
   B. Death-benefit exclusion

8.
   A. Employer must have contributed part of the cost.
   B. Employee's cost must be recoverable within 36 months after employee receives the first payment.

9.
   A. No
   B. No
   C. No

10.
    A. FMV of property at time of conversion.
    B. Cost plus improvements minus casualty losses and prior depreciation (this is adjusted basis)

11. False

12. A. Pension becomes taxable in 1982

Year	Non Taxable	Taxable
1980 (6 mos. @ $180 per mo.)	$1,080	-0-
1981 (12 mos. @ $180 per mo.)	2,160	-0-
1982 (12 mos. @ $180 per mo.)	2,020	$140
	$5,260	

B. The entire pension payment is taxable for tax year 1983.

13. Jerry will first report taxable pension income in 1981.

Year	Non Taxable	Taxable
1979 (9 mos. @ $200 per mo.)	$1,800	-0-
1980 (12 mos. @ $200 per mo.)	2,400	-0-
1981 (12 mos. @ $200 per mo.)	2,010	$390
1982 (12 mos. @ $200 per mo.)	-0-	2,400
	$6,210	

14. Yes

15. If you use the Three-Year Rule, your annuity payments are not taxed until they have completely offset your cost in the annuity contract. If you use the General Rule you exclude a certain percentage of each payment you receive. To figure this percentage, you divide your cost by the total of annuity payments you expect to receive.

16. You must use the Three-Year Rule if:

    A. Your employer contributed part of the pension's cost, and
    B. You will recover your cost within 36 months after you receive your first payment.

17. You are considered to use a dwelling unit as a residence if you use it for personal purposes:
    1. More than 14 days, or
    2. More than 10% of the number of days it is rented at a fair rental, whichever is greater.

18. A day of personal use is any day that:
    A. The dwelling is used by the taxpayer, family member, or other person who has an interest in the unit;
    B. The dwelling is used by anyone under a reciprocal dwelling rental arrangement; or
    C. The dwelling is used by anyone at less than fair rental.

19. a, b, c

20. The taxpayer may recover the basis by claiming depreciation deductions according to the useful life of the copyright.

21. Only cost depletion is allowable for timber.

KEY TO EXERCISES: Session XI: Supplemental Income

1. The security deposit is not taxable at the time of receipt if it is not mixed with other funds. The $200 refund, therefore, is not an expense. The $100 is taxable in the year retained.
2. No
3. Yes. (He may also deduct $150 in taxes on Schedule E under "other expenses". This represents the tenant's part of the home. He may deduct the other $150 on Schedule A of Form 1040 if he itemizes)
4.

$80,000	cost of entire property
20,000	land
60,000	depreciable portion

5.

$12,000	(assessed value of building)
8,000	(assessed value of land)
$20,000	(total assessed value)

$12,000 = 60% of total $20,000. 60% x $52,000 = $31,200.

6. $25,000 (the lesser of the two amounts)
7.

$10,000	(assessed value of building)
15,000	(assessed value of land)
$25,000	(total assessed value)

40% or 2/5 x $20,000* = $8,000 basis for depreciation on building.

*$20,000 (original cost used because lower than present FMV)

8. See Schedule E following
9. Rented: 2 months; Personal use: 1 month

Property considered to be used as a residence

Calculation:

Gross income from rents	$3,000
Less: rental portion of interest and taxes (2 mo/3 mo x $1,800)	1,200
Balance	1,800
Less: rental portion of operating expenses (2 mo/3 mo x $900)	600
Balance	1,200
Less: rental portion of depreciation (2 mo/3 mo x $1,200)	800
Net rental income on Schedule E	$ 400
Schedule A deduction (interest and taxes)	$ 600

10. Number of days rented 70 Number of days personal 14

Gross rents	$3,000
Less: rental portion of interest and taxes (70/84 x 1800) (83.3% rental)	1,500
Balance	1,500
Less: rental portion of operating expenses (70/84 x 900)	750
Balance	750

Less: limited depreciation, lesser of
(70/84 x 1200 or) 750

Balance -0-

Deductible on Schedule A: Personal portion of interest $200 and taxes $100

11. Annuity

12. Fixed period of fixed amounts
Annuities for a single life
Joint or survivor annuities
Variable annuities

13. Pension

14. a. 19.6 years

b. Step 1: $350 x 12 = $4,200 x 19.6 = $82,320
Annual benefits x multiple = Expected return

Step 2: $\frac{\$14,200 \text{ (Investment in contract)}}{82,320 \text{ (expected return)}} = 17.2\%$ (exclusion ratio)

Step 3: 17.2% (exclusion ratio) x $4,200 = $722 = total amount of benefits to exclude from tax

Step 4: $4,200 total annual benefits - $722 amount excludable = $3,478 = taxable benefits

c. $3,478

15. $\frac{\$12,000}{\$18,000}$ = 66.67% exclusion ratio (15.0 multiple)

66.7% x $1,200 = $800 excludable

$1,200 minus $800 = $400 taxable

16. a. $\frac{\$14,310}{\$19,080}$ = 75% exclusion ratio

(1) 19.7 multiple table II
(2) 12.1 multiple table I
(3) 7.6

b. $300 taxable

c. $150

(4) $14,520
(5) 4,560
(6) $19,080

17. a. Exclusion ratio 80%
Taxable pension $200

b. Exclusion ratio 54.9% (multiple 18.2)
Excludable pension $659

c. Exclusion ratio 81.7% (multiple 20.4)

18. a. $5,000

b. No; this type of payment, which the employee had no right to receive while living, is paid because of employee's death.

c. 1. Payments must be made solely because of employee's death.
2. Employee must not have had a nonforfeitable right to the payment while living.

d. No

19. $\frac{\$\,8,000}{18,720}$ = 42.7% excludable (15.6 multiple)

100% less 42.7% = 57.3% taxable

$1,200 x 57.3% = $688 taxable

SCHEDULE E
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Supplemental Income Schedule

(From rents and royalties, partnerships, estates and trusts, etc.)
▶ Attach to Form 1040. ▶ See Instructions for Schedule E (Form 1040).

OMB No. 1545-0074
1981
15

Name(s) as shown on Form 1040 JOHN BAKER #8

Your social security number 123 56 7456

Part I Rent and Royalty Income or Loss.

1 Are any of the expenses listed below for a vacation home or similar dwelling rented to others (see Instructions)? . ☐ Yes ☒ No

2 If you checked "Yes" to question 1, did you or a member of your family occupy the vacation home or similar dwelling for more than 14 days during the tax year? . . . . ☐ Yes ☐ No

Rental and Royalty Income (describe property in Part V)		Properties A	Properties B	Properties C		Totals
3 a Rents received		2000			3	
b Royalties received						
Rental and Royalty Expenses						
4 Advertising	4					
5 Auto and travel	5					
6 Cleaning and maintenance	6					
7 Commissions	7					
8 Insurance	8	25				
9 Interest	9	100				
10 Legal and other professional fees . .	10					
11 Repairs	11	150				
12 Supplies	12					
13 Taxes (do NOT include Windfall Profit Tax, see Part III, line 35)	13	250				
14 Utilities & FUEL	14	150				
15 Wages and salaries	15					
16 Other (list) ▶						
TENANT PAINTING		100				
17 Total deductions (add lines 4 through 16)	17	775			17	
18 Depreciation expense (see Instructions), or Depletion (attach computation)	18	750			18	
19 Total (add lines 17 and 18)	19	1525				
20 Income or (loss) from rental or royalty properties (subtract line 19 from line 3a (rents) or 3b (royalties))	20	475				

21 Add properties with profits on line 20, and enter total profits here .	21	
22 Add properties with losses on line 20, and enter total (losses) here	22	( )
23 Combine amounts on lines 21 and 22, and enter net profit or (loss) here	23	
24 Net farm rental profit or (loss) from Form 4835, line 50	24	
25 Total rental or royalty income or (loss). Combine amounts on lines 23 and 24. Enter here and include in line 37 on page 2	25	

E

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Part II Income or Losses from Partnerships, Estates or Trusts, or Small Business Corporations

If you report a loss below, do you have amounts invested in that activity for which you are not "at risk" (see Instructions)? ☐ Yes ☐ No

If "Yes," and your loss exceeded your amount "at risk," did you limit your loss to your amount "at risk"? . . . . . ☐ Yes ☐ No

	(a) Name	(b) Employer identification number	(c) Net loss (see instructions for "at risk" limitations)	(d) Net income
Partnerships				
	26 Add amounts in columns (c) and (d) and enter here 26		( )	
	27 Combine amounts in columns (c) and (d), line 26, and enter net income or (loss) 27			
	28 Additional first-year depreciation from 1980/1981 fiscal-year partnerships. Enter amount from Form 1065, Schedule K–1, line 2, but not more than $2,000 ($4,000 if a joint return) . . . 28			( )
	29 Total partnership income or (loss). Combine lines 27 and 28. Enter here and include in line 37 . 29			
Estates or Trusts				
	30 Add amounts in columns (c) and (d) and enter here 30		( )	
	31 Total estate or trust income or (loss). Combine amounts in columns (c) and (d), line 30. Enter here and include in line 37 31			
Small Business Corporations				
	32 Add amounts in columns (c) and (d) and enter here 32		( )	
	33 Total small business corporation income or (loss). Combine amounts in columns (c) and (d), line 32. Enter here and include in line 37 33			

Part III Windfall Profit Tax Summary

34 Windfall Profit Tax Credit or Refund received in 1981 (see Instructions) 34

35 Windfall Profit Tax withheld in 1981 (see Instructions) . . . . 35 ( )

36 Combine amounts on lines 34 and 35. Enter here and include in line 37 36

Part IV Summary

37 TOTAL income or (loss). Combine lines 25, 29, 31, 33, and 36. Enter here and on Form 1040, line 17 . ▶ 37 475

38 Farmers and fishermen: Enter your share of gross farming and fishing income applicable to Parts I and II 38

Part V Depreciation Claimed in Part I.—Complete only if property was placed in service before January 1, 1981. For more space, use Form 4562. If you placed any property in service after December 31, 1980, use Form 4562 for all property; do NOT complete Part V.

	(a) Description and location of property	(b) Date acquired	(c) Cost or other basis	(d) Depreciation allowed or allowable in prior years	(e) Depreciation method	(f) Life or rate	(g) Depreciation for this year
Property A	LAND	7-1-77	10,000				
	DUPLEX		50,000				
	50% BUS.		25,000	1875	SL	3%	750
	Totals (Property A)						750
Property B							
	Totals (Property B)						
Property C							
	Totals (Property C)						

SESSION XII
PROFIT & LOSS FROM BUSINESS (SCHEDULE C)
FARM (SCHEDULE F) SELF EMPLOYMENT (SCHEDULE SE)

Reading Assignment: Publication 225, Ch 1-5 8, 15, 17
Publication 334, Parts I thru IV,
Ch 27, 33

Forms Required for Class Handouts:	C	(1)
	F	(1)
	SE	(7)

I. Review

- A. Review quiz taken in previous session
- B. Review assignment not covered in last session
- C. Answer all questions students have at this time before going into new material

II. Introduction of New Material

- A. Profit & Loss from Business (Schedule C)
- B. Farm (Schedule F)
- C. Self-Employment Tax (Schedule C)

III. Teaching Hints

- A. Reading, lecture with questions, practice exercises and problem solving
- B. Completion of forms
- C. Vocabulary (Student Workbook)
- D. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework.

VI. Resources for teacher:

- A. IRS Publications: 378, 533, 535, 560, 572, 583, 902, 906
- B. Transparencies: Schedules C, F, SE
- C. Keys to Problems and Quiz

II. INTRODUCTION TO NEW MATERIAL

A. Profit and Loss from Business and Profession (Schedule C)

1. Business Income

a. Gross receipts & net sales

Income: Income is gross receipts from operation, less discounts allowed on returned items. DO NOT include owner contributions of cash to the company account or borrowed funds. DO NOT include proceeds from the sale of equipment used in the business.

b. Gross profit

1) Cost of goods sold

a) Inventory includes items purchased for resale or manufacturing materials. The beginning inventory must be the same as the ending inventory from the previous year.

b) Purchases refers to retail sale items. Reduce for any items withdrawn for personal use.

c) Labor: Used here only for manufacturing businesses. Do not include your own labor.

d) Materials & supplies: Used only for manufacturing.

e) Other Costs: Freight in a packaging. Freight out is a separate operating expense on Schedule C.

2) Cost of operations

3) Recapitulation

4) Computing gross profit

Gross profit is gross receipts less cost of goods sold.

c. Other income

Other income might be interest income, sale of by-products, bad-debt recovery (accrual only).

d. Total income.

2. Business expenses

Explain the five tests of a deductible current business operating expense.

a. Meaning of "trade or business"

Definition: A trade, business or profession carried on for profit, includes a hobby which shows a profit at least two years out of five and is operated with the intention and reasonable expectation of making a profit. Horse racing, training, or breeding must show a net profit two out of seven consecutive years. Code Sectio

IRC 183 (d & e)

b. Meaning of "paid or incurred during the taxable year"

c. Meaning or "ordinary" and "necessary" Stress that "reasonableness" applies to amount of any expense claimed.

d. Meaning of "carrying on"

e. Meaning of "any"

f. Deductions must be paid or incurred during the year, must be reasonable, ordinary AND necessary to conduct business.

  1) Bad debts must first have been reported in income. Do not use for cash basis taxpayer.

  2) Major repairs to equipment must be "capitalized".

  3) Amortization: Expenses such as trademarks are amortized (like straight-line depreciation).

  4) Depletion: Taken on natural resources

  5) Transportation: All necessary business travel except commuting to and from work.

  6) Taxes: Only business taxes i.e., real property taxes, personal property taxes, employer's portion of payroll taxes, business licenses, etc. NEVER to include employee's portion of payroll taxes, or income taxes and estimate payments which are the liability of the proprietor.

g. Net income figure carried to Form 1040, page 1, and Schedule SE. Investment credit, targeted jobs credit & win credits should be considered every time a Schedule C is used. These credits will be explained in a later chapter. The credit is deducted from the Schedule C payroll expense on TJC and WIN credit.

3. Completing Schedule C
Using overhead projection, have class follow along as you prepare Schedule C

a. Identification information
b. Accounting method
c. Inventory valuation
d. "yes/no" questions
e. Income and Schedule C-1
f. Deductions, Part II
  1. Depreciation (Schedule C-2)

B. Accounting Periods and Methods
Teacher: Refer to chapters 3 and 4 in Publ. 334 (Cover briefly, but thoroughly)

1. Accounting periods
   - a. Defined
     Discuss and define the various periods available.
   - b. Establishing the tax year
     Discuss requirements for each category of person or business and what factors enter into selection.
   - c. Changing the tax year
     Requirements; Business purpose, timely filing application
   - d. Short tax year
     Adjustments to be made in tax return to prevent omission of income and duplicate deductions.
2. Accounting Methods
   - a. Defined
     Discuss and define principal methods acceptable and requirements for each.
   - b. Permissible methods
     - 1) Cash
       Simplest method:
       - a) Expense claimed only when paid
         Income reported only when received or constructively received.
       - b. Prepaid expenses must be claimed only for period covered.
     - 2) Accrual
       Required for certain businesses. Be sure to stress importance of when to include income and deduct expenses and how to handle inventory. Also, discuss the special treatment of expense items owed to related persons.
       - a) Income reported at the time of sale
       - b) Expenses claimed when the obligation to pay is incurred.
       - c) Method of inventory valuation: Must be completed if any retail sale items or manufacturing materials are on hand at year end. Inventory must be used whenever necessary to clearly reflect income.
     - 3) Other methods
       Discuss briefly installment sales, long-term contracts, farm methods, hybrid methods.

   - c. Changing methods
     Requirements, application time, approval needed on some changes but not on others, some changes mandatory.

   - d. Inventories
     Identifying, valuing, different method

including farm, importance for determining income..

3. Recordkeeping
   Discuss importance to person, business.

   a. Setting up records
      Factors to consider in selecting, single and double entry.

   b. Effective system
      Discuss timing of inclusion and matching of expenses to income.

   c. Substantiation and basis of property
      Importance of complete and accurate documentation for and various requirements of various business expense items, factors in determining basis of property.

4. Employers records
   Importance of complete and accurate documentation.

C. Farm Income and Expense (Schedule F)

1. Farm Income

   a. Gross income from farming, generally
      1) inclusions
      2) exclusions

   b. Profits from sale of purchased livestock
      Review how farmers may defer the proceeds from livestock sold on account of drought in certain situations.

   c. Cash or market value of merchandise received from sale or exchange

   d. Trades and exchanges

   e. Other income sources
      1) compensation for services
      2) Patronage dividends
      3) Per unit retain certificates
      4) Agricultural program payments
      5) Commodity Credit loans
      6) Federal gasoline tax credit
      7) Breeding fees
      8) Pasture income and pasture rental
      9) Crop insurance proceeds and crop disaster payments
      10) Timber sales

12) Rents received in crop shares
13) Prize money

Teacher Notes:

Farm Income: Cash Receipts and Disbursement Method

1. Sales of livestock and other items purchased for resale. NOTE: Livestock held for draft, dairy or breeding purposes are reported on Form 4797 when sold, not reported on Schedule F.
2. Sales of market livestock and produce raised and held primarily for sale.
3. Machine work: Done for others for which taxpayer receives compensation.
4. Patronage dividends: Report cash or FMV of property received.
5. Per-unit retains: The allocation of a stated amount of money to patrons for products marketed for them.
6. Nonpatronage distributions from exempt cooperatives.
7. Agricultural program payments
   a. Cash
   b. Materials and services
8. Commodity Credit Loans
   a. May elect to report when the loan w taken out.
   b. If election is made, the loan is not treated as income until the crop is sold or cash received.
9. Federal and state gasoline tax credits: Include the credit allowed for fuels used off the highway for farming purposes.
10. Other farm income:
    a. Pasture income and pasture rental
    b. Rents

2. Farm business expenses

   a. In general operated for profit
      Discuss how to determine that a farm is operated for profit

   b. Deductible expenses
      1) Labor expenses
         Discuss the different labor expenses

         Point out that farm employees wages and social security taxes must be allocated between business and personal use if

the empoloyees perform personal
2) Feed expenses
  a) Advance payments
    Discuss how advanced payments for feed can be treated as an expense (three tests)
  b) Tests for deductibility
3) Fertilizer and lime costs
  Cover the two methods the farmer may elect to deduct the expense if the benefits extend beyond the tax year.
4) Repairs and maintenance costs
5) Tenant house expenses
6) Soil and water conservation expenditures
  Cover the limitations on the amount of the expenditure.
7) Land clearing expenditures
8) Rent
9) Interest and loan expenses
  Describe interest in the form of a discount
10) Other farm expenses
11) Business use of home

c. Nondeductible expenses

d. Depreciation
  1) Assets subject to depreciation
    a) Buildings
    b) Machinery
    c) Livestock
      Point out that the cost of livestock held for resale is included in inventory and that livestock acquired for work, breeding, or dairy purposes is subject to depreciation.
    d) Orchards and vineyards
  2) Determining useful life
    Point out that there is no average useful life of farm assets that is recognized as applicable to farms.
  3) Depreciation Schedule

e. Sale of farm assets
  Cover how income is treated from the sale of farm assets.
  1) In general
  2) Livestock

f. Landlord participation in farming
  Cover the four tests determining material participation in farming.

g. Farming not for profit
Discuss the three tier concept of deductions

You may want to use an overhead of Schedule F in reviewing the income and expense items.

Teacher Notes: Farm Deductions: For cash and accrual method taxpayers

1. Labor hired
   a. Amounts paid in cash or FMV of property are deductible expenses.
   b. Include wages paid to your family if reasonable and a true employer-employee relationship exists.
2. Repairs and maintenance
   a. Ordinary and necessary expenses
   b. Cannot be capital expenditures
3. Interest
   a. Include interest indebtedness on farm business only
   b. If partly personal, must prorate
   c. Loan expenses are prerated over the length of the loan.
4. Rent of farms, pastures: Prorate if it includes house rent or other personal coverage.
5. Feed: Cost to feed livestock.
6. Seed, plants purchased: Deduct in the year purchased.
7. Fertilizers, lime: Deduct in the year paid or capitalize the cost over the period the benefits will last.
8. Machine hire: Spraying crops and other farm operations.
9. Supplies: Bale ties, wire, welding supplies, nails, etc.
10. Breeding fees, veterinary fees and medicines paid during the year.
11. Gasoline, fuel, and oil used in your farming operations.
12. Storage, warehousing for storing crops, machinery, etc.
13. Taxes--real estate must be prorated if partly personal; personal property; payroll taxes, sales taxes; etc.
14. Insurance: Advance payments must be prorated; include health and accident insurance paid for employees.
15. Utilities: Water, light, gas, phone; prorate for personal use.

16. Freight; trucking: farm equipment, crops, livestock, supplies, etc.

17. Conservation expense
   a. Includes leveling, contouring, grading, wind brakes, etc.
   b. Expenditures may be capitalized and added to the basis of the land; or
   c. May be deducted as an expense:
      1) Deduction limited to 25% of gross profit from farming.
      2) Balance carried over to future years with same 25% limit.

18. Land clearing expense
   a. If the farm is in the pre-productive stage (preparing land for farming, virgin farm land) may capitalize or expense.
   b. If the farm is in the productive stage (making the land ready for farming), must expense.
   c. Cannot exceed $5,000 or 25% of taxable income from farming.
   d. No carryover is allowed: Excess over limit must be capitalized.

19. Pension and profit-sharing plans.

20. Employee benefit programs

21. Other farm expenses: Must be ordinary and necessary:
   a. Advertising
   b. Accounting and legal fees
   c. Office supplies, etc.

22. Depreciation: Same as prior year adding purchases for livestock held for draft, dairy or breeding purposes: equipment, capital expenditures made during current tax year.

Form 4835: A landowner who rents out the farm may be a farmer; or this may be rental income.

a. Considered a self-employed farmer if taxpayer materially participates in producing crops or in raising livestock; material participation would be indicated if taxpayer:
   1. Provides the money, tools, equipment or advice to produce the crops.
   2. Regularly takes a significant part in management decisions.
   3. If 1 and 2 apply, report income on Schedule F.

b. Rental income: No material participation
   1. Not reported on Schedule F.

2. Reported on Form 4835 and transferred

Involuntary conversions of livestock

a. Farmers will be able to replace involuntarily converted livestock with other types of farm property if, as a result of soil or other environmental contamination, it is not feasible to replace the involuntarily converted livestock with other livestock.

b. You may elect to defer for one year reporting the sales proceeds from the sale of certain livestock if the sale was due to drought conditions.

Credit for federal fuel tax. Form 4136

A credit may be allowed for all or part of the federal excise tax paid on gasoline, lubricating oils, diesel and special motor fuels, and aviation fuels used in trade or business. The amount of credit is determined by the amount of federal tax paid and the manner in which the fuel is used. Detailed information about the credit may be found in Publication 378.

a. Form 4136 is used to compute the amount of the credit and is attached for Form 1040.

b. Gasoline: The federal excise tax on gasoline is 4 cents a gallon and is included in the price the taxpayer pays for gasoline. Of this, 2 cents a gallon may be claimed as a credit for gasoline used other than as a fuel in highw[illegible] vehicles.

c. Farmers, however, may claim a credit of the entire 4 cents a gallon if the gasoline is used on a farm for farming purposes.

d. Lubricating oil: The federal excise tax on diesel and special motor fuels normally is 6 cents a gallon and is part of the price the taxpayer pays. As in the case of gasoline, 2 cents a gallon may be claimed as a credit when the fuel is used other than as fuel in a registered highway vehicle. However, if the fuel is purchased tax-free or taxed at the rate of 2 cents a gallon, no amount may be claimed as a credit.

e. Farmers may claim a credit for the entire tax paid if the fuel is used on a farm for farming purposes. No credit may be claimed if the fuel is purchased tax-free.

f. Aviation fuels: The federal excise tax imposed on liquids for use in aircraft in other than commercial aviation is:
   1) 7 cents a gallon on special fuels (including jet fuel)
   2) 3 cents a gallon on gasoline (this in addition to the 4 cents a gallon previously mentioned).

   A credit for the entire tax paid may be claimed if the fuel is used in aircraft in commercial aviation or used in aircraft for farming purposes. As in the case of other motor fuels, if the aviation fuel is purchased tax-free, no credit may be claimed.

D. Self-Employment Tax (Schedule SE)

1. Self-employment tax form must be included for all Schedule C's filed (unless maximum FICA paid on W-2).
2. Net profit from more than one business is combined on one Schedule SE; however, a separate Schedule SE is filed for each taxpayer.
3. The name on the top of the schedule must be only the taxpayer that is self-employed.
4. If the maximum FICA was withheld from taxpayer's wages, do not file Schedule SE; if less than the maximum has been withheld from wages, show the amount on the form to avoid paying on more than the maximum.
5. May compute SE tax using the "optional" method if taxpayer qualifies. Schedule C optional rules differ from Schedule F optional rules.
6. Self-Employment tax, Farm
   a. If net earnings from farming are $400 or more, taxpayer is subject to self-employment tax (filing of Schedule F requires Schedule SE, unless maximum wage income exempts).
   b. May compute tax using the "optional" method if taxpayer qualifies:
      1) If gross income is $2,400 or less, can treat 2/3 as self-employment if net is less than that figure.
      2) If gross income is greater than $2,400 and net farm profit is less than $1,600, can treat $1,600 as self-employment income.
      3) If net income is $1,600 or more, must use actual net figure.
      4) No limit on years used.
7. Self-Employment Tax, Business

a. If net earnings from business are $400 or more, taxpayer is subject to self-employment tax (filing of Schedule C required Schedule SE, unless maximum wa income exempts.)

b. May compute tax using the "optional" method if taxpayer qualifies:

  1) Your actual net earnings from nonfarm self-employment are less than $1,600.
  2) Net earnings from nonfarm self-employment are less than two-thirds of the sum of your gross income (profit) derived from all nonfarm trades or businesses, including share of the income or loss from all nonfarm trades or business carried on by partnerships of which taxpayer is a member.
  3) Must be self-employed on a regular basis. Considered self-employed on a regular basis if net earnings from self-employment were not less than $400 in each of 2 of the 3 consecutive tax years preceding the year for which you elect to use this method.
  4) You may not use the nonfarm optional method for more than 5 tax years during taxpayer's lifetime.

8. Joint returns

   A spouse cannot qualify for social security coverage based on other spouse's sel employment coverage.

9. Included income

   Net self-employment is generally net income from business or profession.

10. Who is liable
11. Excluded income and deductions
12. Computation of the tax
    a. Use of Schedule SE to compute tax
    b. Maximum wages subject to tax
    c. The rate of tax
    d. Regular method
    e. Farm option method
    f. Nonfarm self-employment

KEY TO EXERCISES: SESSION XII, Profit and Loss from Business, Farm, Self-Employment Tax

1. a. 9.60
   b. -0-
   c. -0-
   d. 28.00

2. Yes. Carl's contemplated participation in management decisions in connection with the planting, plowing, and his regular inspection of the cotton crop, together with the fact that he furnishes all the necessary equipment, establishes that he participates to a material degree in the cotton production operations. Accordingly, Carl should include the income from his cotton farm in computing his net earnings from self-employment.

3. No. Curt's activities do not constitute material participation in crop production activities. His inspection of the buildings and equipment does not count, since it is not material to crop production. His discussions with Vic, during emergencies, of a phase of production activity is not periodic consultation and advice. Furthermore, Curt's payment for a portion of the production expenses (seed and fertilizer) by itself is not material participation. Accordingly, Curt's income from crops should not be included in computing net earnings from self-employment.

4. The deduction will be allowed if it does not materially distort Ralph's income since the prepayment was made for a sound business reason.

5. a. $5,000 ($25,000 x .25 = $6,250 maximum allowed is $5,000)
   b. $3,000 ($12,000 x .25)

6. a. Capital expenditures--An improvement that will increase the value of the property.
   b. Repair expense--This is not a permanent improvement, and it will not increase the value of the property.

7. Gross profit is net sales minus any cost of goods sold and/or operations. Gross income from a business is gross profit plus any other income from that business.

8. Business net profit is business gross income minus deductible current expenses of running the business.

9. Capital is property used to produce income. A capital asset is property used for personal purposes, pleasure, or investment.

10. A capital asset held for investment is property ke[illegible] with the expectation of eventually making a profit. Inventory is property held primarily for sale to customers in a trade or business.

11. Cost of goods sold and/or operations is computed as follows:

Inventory at start of year		$XXX	
Add:			
Purchases	$XXX		
Less: Items taken for personal use	XXX	XXX	
Labor		XXX	
Materials, supplies		XXX	
Other direct costs		XXX	$XXX
Less: inventory at end of year			XXX
Cost of goods sold and/or operations			XXX

12. ACRS = 375 (2500 x 15%)
Total Business Expenses = $17,404.

13. ACRS = $671
Total Business Expenses = $14,893

Situation 1 - Schedule F follows

Situation 2 - Schedule C follows

Situation 3
- a. S-E follows
- b. S-E follows
- c. 1) Two-thirds of $2,100
  - 2) $1,400
- d. S-E follows
- e. S-E follows
- f. S-E follows
- g. S-E follows
- h. S-E follows

SITUATION 1

SCHEDULE F (Form 1040)

Department of the Treasury Internal Revenue Service (0)

Farm Income and Expenses

▶ Attach to Form 1040, Form 1041, or Form 1065.
▶ See Instructions for Schedule F (Form 1040).

OMB No. 1545-0074

1981
16

Name of proprietor(s) TOM SUMMERS

Social security number 987 65 4320

Farm name and address ▶ SUMMER'S FARM RT. 1 PARIS, KY 40361

Employer identification number 32 0 4 3 76 2 0

Part I Farm Income—Cash Method

Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797.

Sales of Livestock and Other Items You Bought for Resale

a. Description	b. Amount	c. Cost or other basis
1 Livestock ▶	13,500	10,000
2 Other items ▶		
3 Totals	13,500	10,000
4 Profit or (loss), subtract line 3, column c, from line 3, column b ▶		3500

Sales of Livestock and Produce You Raised and Other Farm Income

Kind		Amount
5 Cattle and calves		800
6 Sheep		
7 Swine		
8 Poultry		
9 Dairy products		67,275
10 Eggs		
11 Wool		
12 Cotton		
13 Tobacco		
14 Vegetables		
15 Soybeans		
16 Corn		1000
17 Other grains		
18 Hay and straw		
19 Fruits and nuts		
20 Machine work		500
21 a Patronage dividends	705	
b Less: Nonincome items	- • -	
c Net patronage dividends		705
22 Per-unit retains		
23 Nonpatronage distributions from exempt cooperatives		
24 Agricultural program payments: a Cash		4200
b Materials and services		
25 Commodity credit loans under election (or forfeited)		
26 Federal gasoline tax credit		50
27 State gasoline tax refund		
28 Crop insurance proceeds		
29 Other (specify) ▶ HOSE XCHANGE		150
PRIZE		200
30 Add amounts in column for lines 5 through 29		74,880
31 Gross profits* (add lines 4 and 30) ▶		78,380

Part II Farm Deductions—Cash and Accrual Method

F

Do not include personal or living expenses (such as taxes, insurance, repairs, etc., on your home), which do not produce farm income. Reduce the amount of your farm deductions by any reimbursement before entering the deduction below.

Items		Amount
32 a Labor hired		12,250
b Jobs credit		
c WIN credit		
d Total credits		
e Balance (subtract line 32d from line 32a)		12,250
33 Repairs, maintenance		3430
34 Interest		9000
35 Rent of farm, pasture		2000
36 Feed purchased		13000
37 Seeds, plants purchased		1500
38 Fertilizers, lime, chemicals		4500
39 Machine hire		
40 Supplies purchased		2000
41 Breeding fees		900
42 Veterinary fees, medicine		760
43 Gasoline, fuel, oil		2979
44 Storage, warehousing		
45 Taxes		2506
46 Insurance		1125
47 Utilities		2100
48 Freight, trucking		200
49 Conservation expenses		1790
50 Land clearing expenses		
51 Pension and profit-sharing plans		
52 Employee benefit programs other than line 51		
53 Other (specify) ▶		
DUES		175
54 Add lines 32e through 53		60,215
55 Depreciation (from Form 4562)		6400
56 Total deductions (add lines 54 and 55) ▶		66,615

57 Net farm profit or (loss) (subtract line 56 from line 31). If a profit, enter on Form 1040, line 18, and on Schedule SE, Part I, line 1a. If a loss, go on to line 58. (Fiduciaries and partnerships, see the Instructions.) 57 11,765

58 If you have a loss, do you have amounts for which you are not "at risk" in this farm (see instructions)? ☐ Yes ☐ No
If you checked "No," enter the loss on Form 1040, line 18, and on Schedule SE, Part I, line 1a.

*Use amount on line 31 for optional method of computing net earnings from self-employment. (See Schedule SE, Part I, line 3.)

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Part III Farm Income—Accrual Method (Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Form 4797 and omit them from "Inventory at beginning of year" column.)

a. Kind	b. Inventory at beginning of year	c. Cost of items purchased during year	d. Sales during year	e. Inventory at end of year
59 Cattle and calves				
60 Sheep				
61 Swine				
62 Poultry				
63 Dairy products				
64 Eggs				
65 Wool				
66 Cotton				
67 Tobacco				
68 Vegetables				
69 Soybeans				
70 Corn				
71 Other grains				
72 Hay and straw				
73 Fruits and nuts				
74 Machine Work				
75 Other (specify) ▶				
76 Totals (enter here and in Part IV below)	(Enter on line 85)	(Enter on line 86)	(Enter on line 78)	(Enter on line 77)

Part IV Summary of Income and Deductions—Accrual Method

77 Inventory of livestock, crops, and products at end of year (line 76, column e)		
78 Sales of livestock, crops, and products during year (line 76, column d)		
79 Agricultural program payments: a Cash		
b Materials and services		
80 Commodity credit loans under election (or forfeited)		
81 Federal gasoline tax credit		
82 State gasoline tax refund		
83 Other farm income (specify) ▶		
84 Add lines 77 through 83		
85 Inventory of livestock, crops, and products at beginning of year (line 76, column b)		
86 Cost of livestock and products purchased during year (line 76, column c)		
87 Total (add lines 85 and 86)		
88 Gross profits* (subtract line 87 from line 84)		
89 Total deductions from Part II, line 56 ▶		
90 Net farm profit or (loss) (subtract line 89 from line 88). If a profit, individuals enter on Form 1040, line 18, and on Schedule SE, Part I, line 1a. If a loss, go on to line 91. (Fiduciaries and partnerships, see the Instructions.)	90	

91 If you have a loss, do you have amounts for which you are not "at risk" in this farm (see instructions)? ☐ Yes ☐ No
If you checked "No," enter the loss on Form 1040, line 18, and on Schedule SE, Part I, line 1a.

*Use amount on line 88 for optional method of computing net earnings from self-employment. (See Schedule SE, Part I, line 3.)

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-083 -870-40

SITUATION 2

SCHEDULE C
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Profit or (Loss) From Business or Profession

(Sole Proprietorship)
Partnerships, Joint Ventures, etc., Must File Form 1065.
▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074
1981
08

Name of proprietor: TOBIN GREEN
Social security number of proprietor: 123 65 6789
A Main business activity (see Instructions) ▶ SERVICE ; product ▶ TRAVEL AGENCY
B Business name ▶ TOBY'S TRAVEL SERVICE
C Employer identification number: 32 7654321
D Business address (number and street) ▶ 744 DOGWOOD AV
City, State and ZIP Code ▶ WEST, N.Y. 18369
E Accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶
F Method(s) used to value closing inventory:
(1) ☐ Cost (2) ☐ Lower of cost or market (3) ☐ Other (if other, attach explanation)

C

	Yes	No
G Was there any major change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation.		X
H Did you deduct expenses for an office in your home?		X

Part I Income

1 a Gross receipts or sales	1a	42,170		
b Returns and allowances	1b	300		
c Balance (subtract line 1b from line 1a)			1c	41,870
2 Cost of goods sold and/or operations (Schedule C-1, line 8)			2	
3 Gross profit (subtract line 2 from line 1c)			3	41,870
4 a Windfall Profit Tax Credit or Refund received in 1981 (see Instructions)			4a	
b Other income (attach schedule)			4b	
5 Total income (add lines 3, 4a, and 4b) ▶			5	41,870

Part II Deductions

Advertising	2180	29 a Wages	20,400
7 Amortization		b Jobs credit	
8 Bad debts from sales or services		c WIN credit	
9 Bank service charges		d Total credits	
10 Car and truck expenses	500	e Subtract line 29d from 29a	20,400
11 Commissions		30 Windfall Profit Tax withheld in 1981	
12 Depletion			
13 Depreciation (see Instructions)	2200	31 Other expenses (specify):	
14 Dues and publications		a POSTAGE	2440
15 Employee benefit programs		b	
16 Freight (not included on Schedule C-1)		c	
17 Insurance	578	d	
18 Interest on business indebtedness	265	e	
19 Laundry and cleaning		f	
20 Legal and professional services		g	
21 Office supplies and postage	2160	h	
22 Pension and profit-sharing plans		i	
23 Rent on business property	1200	j	
24 Repairs	172	k	
25 Supplies (not included on Schedule C-1)		l	
26 Taxes (do not include Windfall Profit Tax, see line 30)	1659	m	
		n	
27 Travel and entertainment		o	
28 Utilities and telephone	1920	p	

Total deductions (add amounts in columns for lines 6 through 31p) ▶	32	35,724
Net profit or (loss) (subtract line 32 from line 5). If a profit, enter on Form 1040, line 11, and on Schedule SE, Part II, line 5a (or Form 1041, line 6). If a loss, go on to line 34	33	6146

34 If you have a loss, do you have amounts for which you are not "at risk" in this business (see Instructions)? ☐ Yes ☐ No
If you checked "No," enter the loss on Form 1040, line 11, and on Schedule SE, Part II, line 5a (or Form 1041, line 6)

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

SCHEDULE C-1.—Cost of Goods Sold and/or Operations (See Schedule C Instructions for Part I, line 2)

1 Inventory at beginning of year (if different from last year's closing inventory, attach explanation)		1	
2 a Purchases	2a		
b Cost of items withdrawn for personal use	2b		
c Balance (subtract line 2b from line 2a)		2c	
3 Cost of labor (do not include salary paid to yourself)		3	
4 Materials and supplies		4	
5 Other costs (attach schedule)		5	
6 Add lines 1, 2c, and 3 through 5		6	
7 Inventory at end of year		7	
8 Cost of goods sold and/or operations (subtract line 7 from line 6). Enter here and on Part I, line 2 ▶		8	

SCHEDULE C-2.—Depreciation (See Schedule C Instructions for line 13)

Complete Schedule C-2 if you claim depreciation ONLY for assets placed in service before January 1, 1981. If you need more space, use Form 4562. If you claim a deduction for any assets placed in service after December 31, 1980, use Form 4562 to figure your total deduction for all assets; do NOT complete Schedule C-2.

Description of property (a)	Date acquired (b)	Cost or other basis (c)	Depreciation allowed or allowable in prior years (d)	Method of computing depreciation (e)	Life or rate (f)	Depreciation for this year (g)
1 Depreciation (see Instructions):						
FURN. Y FIXT.	1-3-79	10,000	2000	SL	10Y	1000
AUTO	1-3-79	4800	2400	SL	4Y	1200
2 Totals		14,800			2	2200
3 Depreciation claimed in Schedule C-1					3	
4 Balance (subtract line 3 from line 2). Enter here and on Part II, line 13 ▶					4	2200

SCHEDULE C-3.—Expense Account Information (See Schedule C Instructions for Schedule C-3)

Enter information for yourself and your five highest paid employees. In determining the five highest paid employees, add expense account allowances to the salaries and wages. However, you don't have to provide the information for any employee for whom the combined amount is less than $50,000, or for yourself if your expense account allowance plus line 33, page 1, is less than $50,000.

Name (a)	Expense account (b)	Salaries and wages (c)
Owner		
1		
2		
3		
4		
5		

Did you claim a deduction for expenses connected with:	Yes	No
A Entertainment facility (boat, resort, ranch, etc.)?		
B Living accommodations (except employees on business)?		
C Conventions or meetings you or your employees attended outside the North American area? (see Instructions)		
D Employees' families at conventions or meetings?		
If "Yes," were any of these conventions or meetings outside the North American area?		
E Vacations for employees or their families not reported on Form W-2?		

☆ U.S. GOVERNMENT PRINTING OFFICE 1981—O—343-050 95-0875140

a. **SE**

Regular Method

SITUATION 3

5 Net profit or (loss) from:			
a Schedule C (Form 1040)	5a	4600	
b Partnerships, joint ventures, etc. (other than farming)	5b		
c Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361 and have not revoked that exemption, check here ▶ ☐ and enter zero on this line	5c		
d Service with a foreign government or international organization	5d		
e Other (specify) ▶	5e		
6 Total (add lines 5a through 5e)	6	4600	
7 Enter adjustments if any (attach statement, see instructions)	7		
8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7). Enter here and on line 12b. (Note: If the amount on line 8 is less than $1,600, you may wish to use the nonfarm optional method instead. See instructions.)	8	4600	
Nonfarm Optional Method (Use only if your earnings from nonfarm self-employment are less than $1,600 and less than two-thirds of your gross nonfarm profits.)			
9 a Maximum amount reportable under both optional methods combined (farm and nonfarm)	9a	$1,600	00
b Enter amount from line 3. (If you have no amount on line 3, enter zero.)	9b		
c Balance (subtract line 9b from line 9a)	9c		
10 Enter two-thirds of gross nonfarm profits or $1,600, whichever is smaller	10		
11 Enter here and on line 12b, the amount on line 9c or line 10, whichever is smaller	11		

Part III Computation of Social Security Self-Employment Tax

Part II Computation of Net Earnings from NONFARM Self-Employment b. **SE**

Regular Method

SITUATION

5 Net profit or (loss) from:			
a Schedule C (Form 1040)	5a	8000	
b Partnerships, joint ventures, etc. (other than farming)	5b		
c Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361 and have not revoked that exemption, check here ▶ ☐ and enter zero on this line	5c		
d Service with a foreign government or international organization	5d		
e Other (specify) ▶	5e		
6 Total (add lines 5a through 5e)	6	8000	
7 Enter adjustments if any (attach statement, see instructions)	7	800.	
8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7). Enter here and on line 12b. (Note: If the amount on line 8 is less than $1,600, you may wish to use the nonfarm optional method instead. See instructions.)	8	7200	
Nonfarm Optional Method (Use only if your earnings from nonfarm self-employment are less than $1,600 and less than two-thirds of your gross nonfarm profits.)			
9 a Maximum amount reportable under both optional methods combined (farm and nonfarm)	9a	$1,600	00
b Enter amount from line 3. (If you have no amount on line 3, enter zero.)	9b		
c Balance (subtract line 9b from line 9a)	9c		
10 Enter two-thirds of gross nonfarm profits or $1,600, whichever is smaller	10		
11 Enter here and on line 12b, the amount on line 9c or line 10, whichever is smaller	11		

Part III Computation of Social Security Self-Employment Tax

SCHEDULE SE (Form 1040)
Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
22

Name of self-employed person (as shown on social security card)

Social security number of self-employed person ▶

Part I Computation of Net Earnings from FARM Self-Employment d

Regular Method Situation 3			
1 Net profit or (loss) from:			
a Schedule F (Form 1040)	1a	1200	
b Farm partnerships	1b		
2 Net earnings from farm self-employment (add lines 1a and 1b)	2	1200	
Farm Optional Method			
3 If gross profits from farming are: a Not more than $2,400, enter two-thirds of the gross profits b More than $2,400 and the net farm profit is less than $1,600, enter $1,600	3	1600	
4 Enter here and on line 12a, the amount on line 2, or line 3 if you elect the farm optional method	4	1600	

Part II Computation of Net Earnings from NONFARM Self-Employment

SE

SCHEDULE SE (Form 1040)
Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
22

Name of self-employed person (as shown on social security card)

Social security number of self-employed person ▶

Part I Computation of Net Earnings from FARM Self-Employment e

Regular Method Situation 3			
1 Net profit or (loss) from:			
a Schedule F (Form 1040)	1a	8000	
b Farm partnerships	1b	<6000>	
2 Net earnings from farm self-employment (add lines 1a and 1b)	2	2000	
Farm Optional Method			
3 If gross profits from farming are: a Not more than $2,400, enter two-thirds of the gross profits b More than $2,400 and the net farm profit is less than $1,600, enter $1,600	3		
4 Enter here and on line 12a, the amount on line 2, or line 3 if you elect the farm optional method	4	2000	

Part II Computation of Net Earnings from NONFARM Self-Employment

SCHEDULE SE
(Form 1040)
partment of the Treasury
rnal Revenue Service

Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
22

me of self-employed person (as shown on social security card): TOM BROWN

Social security number of self-employed person ▶

Part I — Computation of Net Earnings from FARM Self-Employment

SITUATION 3

Regular Method			
1 Net profit or (loss) from:			
a Schedule F (Form 1040)	1a		
b Farm partnerships	1b		
2 Net earnings from farm self-employment (add lines 1a and 1b)	2		
Farm Optional Method			
3 If gross profits from farming are: a Not more than $2,400, enter two-thirds of the gross profits b More than $2,400 and the net farm profit is less than $1,600, enter $1,600	3		
4 Enter here and on line 12a, the amount on line 2, or line 3 if you elect the farm optional method	4		

Part II Computation of Net Earnings from NONFARM Self-Employment

SE

Regular Method			
5 Net profit or (loss) from:			
a Schedule C (Form 1040)	5a	8565	
b Partnerships, joint ventures, etc. (other than farming)	5b		
c Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361 and have not revoked that exemption, check here ▶ ☐ and enter zero on this line	5c		
d Service with a foreign government or international organization	5d		
e Other (specify) ▶	5e		
6 Total (add lines 5a through 5e)	6	8565	
7 Enter adjustments if any (attach statement, see instructions)	7		
8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7). Enter here and on line 12b. (Note: If the amount on line 8 is less than $1,600, you may wish to use the nonfarm optional method instead. See instructions.)	8	8565	
Nonfarm Optional Method (Use only if your earnings from nonfarm self-employment are less than $1,600 and less than two-thirds of your gross nonfarm profits.)			
9 a Maximum amount reportable under both optional methods combined (farm and nonfarm)	9a	$1,600	00
b Enter amount from line 3. (If you have no amount on line 3, enter zero.)	9b		
c Balance (subtract line 9b from line 9a)	9c		
10 Enter two-thirds of gross nonfarm profits or $1,600, whichever is smaller	10		
11 Enter here and on line 12b, the amount on line 9c or line 10, whichever is smaller	11		

Part III Computation of Social Security Self-Employment Tax

12 Net earnings or (loss):			
a From farming (from line 4)	12a		
b From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)	12b	8565	
13 Total net earnings or (loss) from self-employment reported on lines 12a and 12b. (If line 13 is less than $400, you are not subject to self-employment tax. Do not fill in rest of schedule)	13	8565	
14 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement taxes for 1981 is	14	$29,700	00
15 a Total FICA wages (from Forms W-2) and RRTA compensation — 15a			
b Unreported tips subject to FICA tax from Form 4137, line 9 or to RRTA — 15b			
c Add lines 15a and 15b	15c	—0—	
16 Balance (subtract line 15c from line 14)	16	29,700	
17 Self-employment income—line 13 or line 16, whichever is smaller	17	8565	
18 Self-employment tax. (If line 17 is $29,700, enter $2,762.10; if less, multiply the amount on line 17 by .093.) Enter here and on Form 1040, line 48	18	796	55

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

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SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

g

OMB No. 1545-0074
1981
22

Name of self-employed person (as shown on social security card): MARSORIE AMI

Social security number of self-employed person ▶ ✓

Part I Computation of Net Earnings from FARM Self-Employment   SITUATION 3

Regular Method			
1 Net profit or (loss) from:			
a Schedule F (Form 1040)	1a		
b Farm partnerships	1b		
2 Net earnings from farm self-employment (add lines 1a and 1b)	2		
Farm Optional Method			
3 If gross profits from farming are:			
a Not more than $2,400, enter two-thirds of the gross profits b More than $2,400 and the net farm profit is less than $1,600, enter $1,600	3		
4 Enter here and on line 12a, the amount on line 2, or line 3 if you elect the farm optional method	4		

Part II Computation of Net Earnings from NONFARM Self-Employment   **SE**

Regular Method			
5 Net profit or (loss) from:			
a Schedule C (Form 1040)	5a	10,800	
b Partnerships, joint ventures, etc. (other than farming)	5b	3500	
c Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361 and have not revoked that exemption, check here ▶ ☐ and enter zero on this line	5c		
d Service with a foreign government or international organization	5d		
e Other (specify) ▶ DIRECTOR FEES	5e	500	
6 Total (add lines 5a through 5e)	6	14,800	
7 Enter adjustments if any (attach statement, see instructions)	7		
8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7). Enter here and on line 12b. (Note: If the amount on line 8 is less than $1,600, you may wish to use the nonfarm optional method instead. See instructions.)	8	14,800	
Nonfarm Optional Method (Use only if your earnings from nonfarm self-employment are less than $1,600 and less than two-thirds of your gross nonfarm profits.)			
9 a Maximum amount reportable under both optional methods combined (farm and nonfarm)	9a	$1,600	00
b Enter amount from line 3. (If you have no amount on line 3, enter zero.)	9b		
c Balance (subtract line 9b from line 9a)	9c		
10 Enter two-thirds of gross nonfarm profits or $1,600, whichever is smaller	10		
11 Enter here and on line 12b, the amount on line 9c or line 10, whichever is smaller	11		

Part III Computation of Social Security Self-Employment Tax

12 Net earnings or (loss):			
a From farming (from line 4)	12a		
b From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)	12b	14,800	
13 Total net earnings or (loss) from self-employment reported on lines 12a and 12b. (If line 13 is less than $400, you are not subject to self-employment tax. Do not fill in rest of schedule)	13	14,800	
14 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement taxes for 1981 is	14	$29,700	00
15 a Total FICA wages (from Forms W-2) and RRTA compensation — 15a			
b Unreported tips subject to FICA tax from Form 4137, line 9 or to RRTA — 15b			
c Add lines 15a and 15b	15c	-0-	
16 Balance (subtract line 15c from line 14)	16	29,700	
17 Self-employment income—line 13 or line 16, whichever is smaller	17	14,800	
18 Self-employment tax. (If line 17 is $29,700, enter $2,762.10; if less, multiply the amount on line 17 by .093.) Enter here and on Form 1040, line 48	18	1,376	40

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SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

h

OMB No 1545-0074
1981
22

Name of self-employed person (as shown on social security card): HELEN STONE

Social security number of self-employed person ▶

Part I Computation of Net Earnings from FARM Self-Employment

SITUATION 3

Regular Method			
1 Net profit or (loss) from:			
a Schedule F (Form 1040)	1a		
b Farm partnerships	1b	2000	
2 Net earnings from farm self-employment (add lines 1a and 1b)	2	2000	
Farm Optional Method			
3 If gross profits from farming are: a Not more than $2,400, enter two-thirds of the gross profits b More than $2,400 and the net farm profit is less than $1,600, enter $1,600	3		
4 Enter here and on line 12a, the amount on line 2, or line 3 if you elect the farm optional method	4	2000	

Part II Computation of Net Earnings from NONFARM Self-Employment

SE

Regular Method			
5 Net profit or (loss) from:			
a Schedule C (Form 1040)	5a		
b Partnerships, joint ventures, etc. (other than farming)	5b		
c Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361 and have not revoked that exemption, check here ▶ ☐ and enter zero on this line	5c		
d Service with a foreign government or international organization	5d		
e Other (specify) ▶	5e		
6 Total (add lines 5a through 5e)	6		
7 Enter adjustments if any (attach statement, see instructions)	7		
8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7). Enter here and on line 12b. (Note: If the amount on line 8 is less than $1,600, you may wish to use the nonfarm optional method instead. See instructions.)	8		
Nonfarm Optional Method (Use only if your earnings from nonfarm self-employment are less than $1,600 and less than two-thirds of your gross nonfarm profits.)			
9 a Maximum amount reportable under both optional methods combined (farm and nonfarm)	9a	$1,600	00
b Enter amount from line 3. (If you have no amount on line 3, enter zero.)	9b		
c Balance (subtract line 9b from line 9a)	9c		
10 Enter two-thirds of gross nonfarm profits or $1,600, whichever is smaller	10		
11 Enter here and on line 12b, the amount on line 9c or line 10, whichever is smaller	11		

Part III Computation of Social Security Self-Employment Tax

12 Net earnings or (loss):			
a From farming (from line 4)	12a	2000	
b From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)	12b		
13 Total net earnings or (loss) from self-employment reported on lines 12a and 12b. (If line 13 is less than $400, you are not subject to self-employment tax. Do not fill in rest of schedule)	13	2000	
14 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement taxes for 1981 is	14	$29,700	00
15 a Total FICA wages (from Forms W-2) and RRTA compensation — 15a: 5500			
b Unreported tips subject to FICA tax from Form 4137, line 9 or to RRTA — 15b:			
c Add lines 15a and 15b	15c	5500	
16 Balance (subtract line 15c from line 14)	16	24,200	
17 Self-employment income—line 13 or line 16, whichever is smaller	17	2000	
18 Self-employment tax. (If line 17 is $29,700, enter $2,762.10; if less, multiply the amount on line 17 by .093.) Enter here and on Form 1040, line 48	18	186	

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KEY TO QUIZ: Session XII - Profit & Loss from Business, Self-Employment, Farm

1. F
2. C, E
3. C
4. C
5. B
6. C
7. A
8. B
9. A
10. C
11. D
12. C
13. B
14. 50% on Schedule C and 50% on Schedule A
15. B
16. T
17. a. The total of the deductible items is $758.
    b. The $500 fee for installation of the sidewalk and curbing. This would tend to increase the value of the property and would not be deductible. $126 representing the FICA tax withheld from employees. Only the employer's share is deductible.
19. March 1
20. Repair expenses--a, c, d, and f. Those listed under b and e are capital expenditures rather than expenses for repairs.
21. F
22. T
23. No
24. F
25. T
26. T
27. C
28. C
29. E
30. 25%
31. T
32. T
33. a. Yes--$3,500--she had net income of more than $400 from self-employment.
    b. Yes--$11,000--He was hired after the due date of his 1968 tax return and could not elect to exempt his fees from self-employment tax.
    c. No--He had a net loss from his business, thus he does not meet the $400 net earnings requirement. Note: Bob does not qualify for non-farm optnl method.

d. Yes--$3,500--He would pay self-employment tax on $3,500 because the maximum for Special Security coverage in 1981 is $29,700 and he had wages of $23,400 subject to FICA.

QUIZ: Session XII: Schedule C, Profit & Loss from Business, SE and Schedule F, Farm

1. T F If there is no income, you cannot deduct the expenses directly related to that business.

2. When the standard mileage rate is used, the other expenses that can also be included is the business portion of:
   A. depreciation
   B. licenses
   C. interest
   D. car wash
   E. parking

3. An individual engaging in their own business is called:
   A. partnership
   B. Sub S corportation
   C. Sole proprietorship

4. The income or loss of a partnership is reported on:
   A. Schedule C
   B. Form 1040/other income line
   C. Schedule E

5. Taxpayers may claim a bad debt on Schedule C only if:
   A. they are a cash basis taxpayer
   B. they are using accrual method of accounting and included the item in income
   C. they never can

6. Taxpayers can change their method of accounting by:
   A. attaching a statement to their tax return
   B. notifying their tax consultant
   C. getting permission from the Internal Revenue Service Commissioner

7. When a taxpayer pays the actual business-related cost of meals and lodging for an employee:
   A. the expense of meals and lodging is a business expense.
   B. the employee must pay taxes and include allowances as income
   C. the taxpayer (employer) must furnish a 1099 showing amount paid for each expense.

8. A cash-basis taxpayer leasing business property on a three-year lease includes the expense of building a wall.
   A. the cost of the wall is repair expense as he pays for it
   B. the cost is a leasehold improvement depreciable for the term of the lease
   C. it is not deductible

9. Business travel expenses include:
   A. meals, lodging, air fare, cost of stenographer
   B. automobile gas, oil, repair expense, both in and out of town
   C. babysitter for your 5-year-old child when you travel for business
   D. A and B

10. A business gift can be claimed as a deduction
   A. if the value does not exceed $50
   B. if it is to the taxpayer's spouse for business assistance
   C. if the value does not exceed $25
   D. all of the above

11. The cost of business goodwill when a business is purchased is:
   A. taken as an expense the first year on Schedule C
   B. never taken as an expense
   C. added to the cost or basis when the business is sold
   D. B and C

12. Inventory items included at year-end include:
   A. office supplies, stationery
   B. business equipment
   C. merchandise of stock in trade, finished products, raw materials

13. Moving expense reimbursement that a taxpayer pays an employee is:
   A. subject to withholding and social security taxes
   B. included in employee's income
   C. neither of above

14. Your client owns a building in which he resides and operates a shop. Taxpayer determines that 50% of the upkeep costs are connected with the business use. If taxpayer pays $450 in property taxes on the building for the year, what deduction is taxpayer entitled to for the payment and how should the deduction be claimed?

15. A self-employed individual is liable for self-employment tax if net self-employment income equals:
   A. $300
   B. $400
   C. $100
   D. $200
   E. none of the above

16. T F Beginning inventory for 1979 will be the same as ending inventory from 1978.

17. Joe Dancer paid the following items during 1981:

$500 - For new sidewalk and curbing installed in front of his business;
$200 - For maintenance and repair of the sewer system;
$120 - State sales tax on business furniture;
$ 10 - Mercantile license fee;
$200 - Business property tax;
$252 - Total FICA (social security) taxes (including the employee's half);
$ 81 - State unemployment insurance; and
$ 21 - Federal unemployment tax.

a. What is the total of the deductible items?
b. What amounts are not deductible, if any, and why?

18. Which os the following interest charges are deductible as business expenses?

a. $250 interest on the purchase of a new delivery truck
b. $150 interest on new living room furniture
c. $1,000 interest on business property mortgage;
d. $50 interest on home mortgage; and
e. $2,000 interest received on accounts receivable.

19. Individuals who qualify as farmers must file their federal income tax return by _______, if they did not file a declaration of estimated tax by January 15.

20. Scott Ward owns a retail grocery store. During 1981 he made the following expenditures:

a. $125--For a set of snow tires for his delivery truck;
b. $3,000--For construction of a parking lot for the convenience of his customers;
c. $75--For a new tailpipe and muffler on his delivery truck;
d. $500--For painting the interior and exterior of his store;
e. $650--For new electric wiring throughout the store;
f. $25--For new glass to replace the broken one in the meat case.

Circle the items which qualify as deductible repair expenses?

21. T F The credit for gasiline, special fuels, and lubricating oils reduces the taxpayer's tax liability, but may not exceed the amount of income tax due.

22. T F The amount of the credit claimed on the federal tax return must be shown as income on next year's farmer's federal income tax return.

23. Farmer Jones, a cash basis taxpayer, spread $5,000 worth of fertilizer on his land in this tax year, but could not pay for it until next year. He wants to take this as an expense on the tax return for this year because he had a lot more farm income than he will have next year. Would you take the deduction? _______________

24. T F The cost of cattle purchased for resale may be deducted as an expense in the year of purchase where the farmer normally buys feeders in one year, fattens them for market, and sells them the following year.

25. T F A farmer has two methods by which he may compute his self-employment tax if his gross receipts and net income qualify.

26. T F The cost of assets having a useful life of more than one year used in a business must be recovered by depreciation.

27. A cash basis farmer purchased 20 head of feeder calves in 1977 for a total cost of $1,000. He sold 10 head in 1978 for $1,200, and the remaining 10 in 1979 for $1,800. The purchase price of the livestock would be expensed as:
A. $1,000 cost in 1977
B. $1,000 cost in 1978
C. 500 cost in 1978 and $500 cost in 1979
D. 400 cost in 1978 and $600 cost in 1979

28. A farmer may deduct all of the following expense items except:
A. wages paid for farm labor
B. interest on farm mortgage
C. value of farm produce raised and consumed by cattle
D. gasoline and oil used in tractors

29. A farmer traveling 17,500 miles for farm business would deduct how much. No account was kept of actual expenses
A. $1,760
B. 2,810
C. 1,584
D. 2,640
E. 3,275
F. -0-

30. The deduction for soil and water conservation is limited to __________% of gross farm income.

31. T F Land clearing may be treated as a deductible expense, rather than a capital outlay. The deduction is limited in any taxable year to $5,000 or 25% of the taxable income derived from farming during the taxable year, whichever is less.

32. T F Losses due to the death of purchased livestock are fully deductible.

33. Determine whether these self-employed persons would be subject to self-employment tax. On what amount would t be due?

A. Mary had net income from self-employment of $3,500

B. Jim, a public official hired as a consultant in 1973, received $11,000 in net earnings during 1981.

C. Bob had a net loss of $120 from his dairy store business.

D. Bob received $23,400 from his full-time job and net earnings of $3,500 from self-employment in 1981.

SESSION XIII
CREDITS

Reading Assignment:	Publication 17, ch 34,35 & 36 Publication 225, ch 7 Publication 334, ch 31,32

Forms Required for Class Handouts:	3468	(2)	2441	(3)
	4255	(1)	Sched R/RP	(3)

I. Review

- A. Review quiz taken in previous session
- B. Review assignment not covered in last session
- C. Answer all questions students have at this time before going into new material.

II. Introduction of New Material

III. Teaching Hints:

- A. Vocabulary (Student Workbook)
- B. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session.

VI. Short Quiz

VII. Resources for Teacher:

- A. Publication 503, 524, 903, 906
- B. Keys to Problems and Quiz
- C. Transparencies: Schedules R, 2441, 3468, 4255, 5695

II. INTRODUCTION OF NEW MATERIAL

A. Credit for Political Contributions

1. Eligible contributions
2. Computation of credit
    a. Federal: $50 single; $100 joint
    b. Oregon: $25 single; $50 joint

B. Credit for the Elderly (Schedule R/RP)

1. Qualifications
2. Individuals 65 and over--Schedule R
    a. Initial amount
    b. Reductions to initial amount
        1) Nontaxable pensions
        2) Adjusted gross income limitation
    c. Computation of the credit
3. Individuals under age 65--Schedule RP
    a. Qualifications
    b. Initial amounts
    c. Reductions in initial amount
        1) Nontaxable pensions
        2) Earned income
    d. Retirement income
        1) Under 65
        2) 65 and over
    e. Computation of the credit
4. Oregon computation and part-year computation

C. Child and Dependent Care Credit (Form 2441)

1. Qualifying individuals
2. Employment-related expenses for maintenance of household
3. Limitations
    a. Dollar limitation
    b. Earned income limitation
4. Relatives
5. Employee-Employer Relationship
6. Divorced Parent Rule
7. Oregon computation and part-year computation

D. Investment Credit (Form 3468)

Business has a tax credit designed to spur modernization and expansion of productive facilties. A business which buys machinery and equipment in the ordinary course of its operation will get a credit against its tax.

1. Requirements, limitations and qualifications for investment credit:

a. New or used depreciable tangible personal property with a useful life of at least 3 years qualifies for investment credit.
b. Investment credit itself is limited to the actual amount of tax less the foreign tax and elderly credits. Should the credit be greater than the tax, it can be carried back three years and applied to the previous returns and then forward up to 15 years in the same manner.
c. The credit is 10% of the investment eligible for credit subject to limitation.
   1) The rate before January 22, 1975, was 7%
   2) Rules after 1980 (ACRS) some different
      a) 3-year property (ACRS) 60%

E. Recapture of investment credit

1. Dispositions that trigger recapture

2. Unused credit

3. Form 4255

F. Foreign tax credit (Form 1116)

The foreign tax credit is designed to relieve U.S taxpayers of the double tax burden.

1. Persons taking the credit

2. Foreign taxes qualifying for the credit

3. When the credit may be taken

4. Reducing foreign taxes available for credit

5. Limit on credit

6. Carryback and carryover

7. Oregon and foreign taxes paid

G. Work Incentive (WIN) Credit

1. Qualifying wages

2. Eligible employees

3. Limitation

4. How to take credit

H. Targeted Jobs Credit (Form 5884)

1. Targeted Jobs Credit

   The amount of the credit, limitations on the credit, and who are the targeted group members.

2. Reduced deduction for wages

3. Carryover of unused credit

I. Residential Energy Credit for Individuals (Form 5695)

1. Limitations

   a. 15% of the first $2,000 for energy conservation expenditures, plus

   b. 30% of the first $2,000 plus 20% of the next $8,000 for renewable energy source expenditures.

2. Home energy conservation

   Qualifying and nonqualifying energy-saving components.

3. Renewable energy source costs

   Unlike the home energy conservation expenditures, it is immaterial when the taxpayer's home was constructed as long as the renewable energy source property was installed after April 19, 1977.

4. Carryover

5. Oregon Weatherization and Energy Credits

QUIZ: Session XIII

1. The maximum qualfying child care expense for one qualifying individual is?

   A. $2,000
   B. 4,000
   C. 400
   D. 800

2. Which of the following are qualifying individuals for child and disabled dependent care credit?

   A. Your dependent child under age 15.
   B. Your dependent, age 15 or older, who lives with you and is physically or mentally incapable of self-care.
   C. Your husband or wife who is physically or mentally incapable of self-care.
   D. All of the above
   E. A and B only.

3. You are a widow, maintaining a household for yourself and one pre-school child, and are self-employed. Your adjusted gross income is $18,500. Your employment-related expenses each month are $50 for weekend household services within your home and $100 child care expenses at a nursery school. Transportation costs to the nursery school are $25 per month. Your federal deduction for child care credit is?

   A. $400
   B. $800
   C. $420
   D. $360

4. The Oregon child care credit allowed in the above situation is?

   A. $160
   B. $200
   C. $144
   D. $168

5. Jon N. Jay's wife was hospitalized for a nervous condition from April to August. During this time, Jo spent $1,200 for the care of his 3 minor children, ages 4, 7, and 12 while he was away from home working. The amount of expenses on which dependent care credit is allowed are?

A. $240
B. $360
C. $1,200
D. -0-

6. Mr. Les Knapp has adjusted gross income of $16,000. He was married to Mrs. Mary Knapp throughout the year, but she moved out of their house at the end of March and never returned. They filed separate returns. Mr. Knapp maintained a home for his dependent 7 year-old daughter and himself. Mr. Knapp incurred child care expenses of $800. The allowable child care credit for Oregon is?

A. $80
B. $64
C. -0-
D. $160

7. Paula C. Smith, divorced, provided all support for he two children, ages 8 and 11. Paula paid $300 a month for a housekeeper to care for the children and do the housework. Paula earned $13,500. The amount of federal child care credit allowed is?

A. $3,600 B. -0- C. $800 D. $720

8. For a single person, over 65, the initial amount of income allowed for the elderly credit computation is?

A. $1,525
B. $3,750
C. $2,500
D. $1,875

9. On the Oregon return, the amount of federal retirement income credit allowed is?

A. 15% B. 25% C. 50% D. No Limit

10. The initial amount of income for the credit for the elderly computation must be reduced by?

A. Disability pensions
B. Life insurance proceeds
C. Basic or supplementary medicare benefits
D. Nontaxable pension or annuity payments and social security or railroad retirement pension payments

11. Credit for the elderly is available to:

A. All taxpayers
B. A non-resident alien
C. A taxpayer over 65, filing married separate, with $11,000 income
D. Taxpayer under 65 years of age with public retirement pension or annuity.

12. For a retired army officer, age 62, which of the following qualifies as retirement income for credit for the elderly?

A. Military retirement pay
B. Dividend income in excess of the exclusion
C. Gross rents
D. Interest income on state or municipal bonds
E. Veteran benefits

13. Credits are amounts the taxpayer may?

A. Deduct from adjusted gross income
B. Deduct from taxable income
C. Deduct from gross income
D. Deduct from tax liability

14. To qualify for the retirement income credit for the elderly, a taxpayer under 65 must have?

A. Earned income in excess of allowable deductions
B. Income from interest, dividends, or gross rents
C. Taxable pension or annuity income from a public retirement system
D. Earned income exceeding $900

15. The federal credit for the elderly is what percent of a portion of your retirement income?

A. 25%
B. 30%
C. 15%
D. 10%

16. The maximum retirement income credit available on 1040 for a single taxpayer is:

A. $375.00
B. $562.50
C. $228.60
D. $500.00

17. A taxpayer over 65 may have adjusted gross income of how much before a reduction of the initial amount of income for credit computation on Schedule R.

A. $7,500
B. $10,000
C. $5,000
D. $3,750

18. Mr. Bill R. Smith, age 62, received a pension from a public retirement system, the cost of which has been recovered in a prior year. He may consider as retirement income:

A. Interest income
B. Includible ordinary dividend income
C. Pension income
D. Gross rental income
E. Social security

19. The credit for the elderly is available to which of the following:

A. Single, age 66, has $4,000 from a non-taxable pension as his/her only income.
B. Married filing a joint return only one spouse 65 or older with adjusted gross income of $20,000.
C. Single, under 65 years of age, taxable pension fr a public retirement system of $5,000. Total AGI is $5,000.
D. Married filing a separate return, age 67, not having lived with spouse at any time during the year and received $2,000 from social security. AGI of $6,000.
E. Married filing separate return, age 70, not having lived with spouse at any time during year, adjusted gross income of $9,000.

20. Which of the following taxpayers would not qualify for credit for the elderly?

A. Mark P. Scott, 66 years of age, received social security benefits of $2,000. AGI is $7,000 Mark is single.
B. Martha C. Ball, age 65, has earned income of $3,000 and interest income of $1,000 as her total income. Martha is single.
C. Taxpayer Dan Alton, age 65, and his spouse, age 61, filed a joint return. His spouse has earned income of $11,150 as their total income.
D. George P. Ace, 62 years of age, received income from an annuity of $608 from S Life Insurance Company. AGI is $7,000. George is single.

21. As a credit against federal tax, a single taxpayer can claim 50% of a political contribution limited to a maximum of:

A. -0-
B. $25
C. $100
D. $200
E. $50

22. The political contribution credit is:

A. A refundable credit
B. Limited to your tax liability
C. Not available on 1040A
D. Not available to fiscal year taxpayer

23. The foreign tax credit is designed to eliminate ______________ taxation.

24. The first __________ of wages per eligible employee is available for the targeted jobs credit.

25. T F The energy credit, if it exceeds tax liability, is refundable.

26. T F Renters or owners of personal residences are eligible for the federal energy credit depending on who actually paid for the qualifying items.

27. T F Unused energy credit may be carried over to later years indefinitely.

28. T F A taxpayer can take an investment credit in 1981 for property first put into use in 1980.

29. T F Property must be depreciable in order to qualify as investment credit property.

30. T F Property must have a useful life of at least 4 years in order to be eligible for the investment credit.

31. T F Generally, real property qualifies for the investment credit.

32. T F The taxpayer can take the investment credit for an automobile even though it is used both for business and personal purposes.

33. Mark the following as TRUE or FALSE:

a. The energy credit, if it exceeds the tax liability, is not refundable.
b. An unused energy credit may continue to be carried over to later years indefinitely until it is exhausted.
c. The energy saving components installed must be new and expected to last at least 3 years.
d. The renewable energy source expenditures, to qualify, must have a useful life of at least 4 years.

34. Which of the following transfers would trigger investment credit recapture? (Assume that all property mentioned is qualified property disposed of before the end of the useful life used for figuring the credit.)

	Recapture	No Recapture
a. A taxpayer sold a truck before the expiration of its useful life of 5 years and purchased a replacement truck at a higher cost.	________	________
b. A taxpayer desired to retire from a farm. The taxpayer gave to each of three sons a third interest in the farm machinery	________	________
c. A taxpayer died in February 1980. All property passed to the estate at that time. In late 1980 an auction was held and all equipment was sold by the estate.	________	________
d. In September 1980, a taxpayer traded one printing press for another, plus giving $6,000 cash.	________	________

KEY TO EXERCISES: Session XIII

Child and Dependent Care Credit

1. a. Your dependent under the age of 15
   b. Your dependent (or a person you could claim as a dependent if it were not for the gross income test) who is physically or mentally incapable of self-care.
   c. Your spouse who is physically or mentally incapable of self-care.

2. Earned Income Limitations: The expenses incurred during any tax year may not exceed your earned income. If you are married they may not exceed the lesser of your earned income or the earned income of your spouse.

   Dollar Limitation: Expenses may not exceed: For one qualifying individual $2,000; for two or more qualifying individuals $4,000.

3. a. You must be gainfully employed
   b. You must maintain a household that includes one or more qualifying individuals.
   c. Your expenses must be necessary to enable you to be employed
   d. Your payments for the service must be to other than dependent relatives.

4. Yes, under the divorced parents rule the parent who has custody for the major part of the year may take the child care credit. (provided the children were in custody of one or both parents for more than half the year and one or both parents provided more than half of the child's support and the child is under 15).

5. False. Disabled dependent and spouse care must be performed in your home.

6 - 8 Completed Forms 2441 follow

Credit for the Elderly

9. A. $2,500
   B. 3,750
   C. 2,500
   D. 1,875

10. A. $2,500
    B. 3,750
    C. 3,750
    D. 1,875

11. A. $7,500 C. 5,000

12. Taxable portion of a pension or annuity received from public retirement system.

13. The taxable portion of dividends, interest, pensions and annuities and gross rents.

14. Social Security, railroad retirement.

15. Wages, salaries, professional fees, and other amounts you receive as compensation for personal services. If both personal services and capital are material income-producing factors, not more than 30% of your net profit is earned income.

16. A. $ 900
B. 1,200

17-21 Completed Forms R and RP follow.

Investment Credit and Recapture:

22-25 Completed forms follow.

	36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax				36		
	37	Total. Add lines 35 and 36 ▶				37	710	
Credits (See Instructions on page 13)	38	Credit for contributions to candidates for public office	38					
	39	Credit for the elderly *(attach Schedules R&RP)*	39	80				
	40	Credit for child and dependent care expenses (attach Form 2441)	40					
	41	Investment credit *(attach Form 3468)* ~~1003~~	41	630				
	42	Foreign tax credit *(attach Form 1116)*	42					
	43	Work incentive (WIN) credit *(attach Form 4874)*	43					
	44	Jobs credit *(attach Form 5884)*	44					
#26	45	Residential energy credit *(attach Form 5695)*	45					
	46	Total credits. Add lines 38 through 45				46	710	
	47	Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) ▶				47	-0-	
Other Taxes (Including Advance EIC Payments)	48	Self-employment tax *(attach Schedule SE)*				48	513	
	49a	Minimum tax. Attach Form 4625 and check here ▶ ☐				49a		
	49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐				49b		
	50	Tax from recomputing prior-year investment credit *(attach Form 4255)*				50		
	51a	Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*				51a		
	51b	Uncollected employee FICA and RRTA tax on tips *(from Form W-2)*				51b		
	52	Tax on an IRA *(attach Form 5329)*				52		
	53	Advance earned income credit (EIC) payments received *(from Form W-2)*				53		
06	54	Total tax. Add lines 47 through 53 ▶				54	513	
	55	Total Federal income tax withheld	55					

27. a. To ease the double tax burden of U.S. taxpayers who pay taxes on their foreign income to more than one taxing authority.
    b. 1) U.S. citizens, wherever resident, normally may take a tax credit for foreign income taxes they pay or accrue.
       2) Aliens resident in the United States may take a tax credit for foreign income taxes they pay or accrue; and
       3. Nonresident aliens may take a tax credit for foreign income taxes they pay on foreign source income that is "effectively connected with a trade or business in the United States."

28. a. Wages, dividends, interest, and royalties.
    b. Foreign taxes based on gross receipts (unless levied in place of an income tax); taxes based on output; and taxes based on assets.

29. a. Qualified first-and second-year wages are subject to a $6,000 limitation.
    b. Qualified first-year wages are subject to an additional 30% FUTA wage limitation.

30. The targeted jobs credit for the tax year is the sum of:
    a. 50% of the qualified first-year wages for that year, plus
    b. 25% of the qualified second-year for that year.

31. For 1981, the targeted jobs credit is figured as follows:

Qualified first-year wages that are eligible	$1,000	
Multiplied by 50%	.50	$ 500
Plus		
Qualified second-year wages that are eligible	$6,000	
Multiplied by 25%	.25	1,500
Total Targeted Jobs Credit		$2,000

Note that the wages paid January 2, 1981 through March 31, 1981, $4,000, are qualified first-year wages because March 31 is the end of David's first year of working for Max. Also, note that the amount of qualified, first-year wages in 1981 eligible for the 50% credit are limited to $1,000; that is $6,000 less $5,000 paid in 1980. Similarly, qualified second-year wages eligible for the 25% credit are limited to $6,000. No credit can be taken for wages paid for services after 1981.

32. The deduction for wages paid or incurred is reduced by

33. The credit for energy conservation expenditures is figured on 15% of the first $2,000 spent, or a maximum credit of $300.

b. The credit for renewable enerby source expenditures is figured on 40% of the first $10,000 spent on solar, geothermal or wind powered equipment, or a maximum credit of $4,000.

Form **2441**
Department of the Treasury
Internal Revenue Service (0)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See instructions below.

OMB No. 1545-0073
1981
26

Name(s) as shown on Form 1040: ANNA BROWN #6

Your social security number:

1 See the definition for "qualifying person" in the instructions. Then read the instructions for line 1.

(a) Name of qualifying person	(b) Date of birth	(c) Relationship	(d) During 1981, the person lived with you for: Months	Days
MOTHER BROWN		MOTHER	12	

2 Persons or organizations who cared for those listed on line 1. See the instructions for line 2.

(a) Name and address (If more space is needed, attach schedule)	(b) Social security number, if applicable	(c) Relationship, if any	(d) Period of care From Month—Day	To Month—Day	(e) Amount of 1981 expenses (include those not paid during the year)
MRS JONES	679-77-5544		6-1	12-31	3500
EMPLOYER'S SHARE OF FICA					233

To Figure Your Credit, You MUST Complete ALL Lines That Apply

3 Add the amounts in column 2(e)	3	3733
4 Enter $2,000 ($4,000 if you listed two or more names in line 1) or amount on line 3, whichever is less	4	2000
5 Earned income (wages, salaries, tips, etc.). See the instructions for line 5. An entry MUST be made on this line. (a) If unmarried at end of 1981, enter your earned income (b) If married at end of 1981, enter: (1) Your earned income . . . $ ____ (2) Your spouse's earned income $ ____ Enter the lesser of b(1) or b(2) ▶	5	12,000
6 Enter the amount on line 4 or line 5, whichever is less	6	2000
7 Amount on line 6 paid during 1981. An entry MUST be made on this line ▶	7	2000
8 Child and dependent child care expenses for 1980 paid in 1981. See instructions for line 8	8	
9 Add amounts on lines 7 and 8	9	2000
10 Multiply line 9 by 20 percent	10	400
11 Limitation: a Enter tax from Form 1040, line 37 . . . 11a 1307 b Enter total of lines 38, 39, and 41 through 43 of Form 1040 . . 11b 0		
c Subtract line 11b from line 11a (If line 11b is more than line 11a, enter zero)	11c	1307
12 Credit for child and dependent care expenses. Enter the smaller of line 10 or line 11c here and on Form 1040, line 40	12	400

13 If payments listed on line 2 were made to an individual, complete the following:	Yes	No
(a) If you paid $50 or more in a calendar quarter to an individual, were the services performed in your home?	X	
(b) If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 13)?	X	

(c) If answer to (b) is "Yes," enter your employer identification number ▶ 93-876876

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

General Instructions

If you or your spouse worked or looked for work, and you spent money to care for a qualifying person, this form might save you tax.

What is the Child and Dependent Care Expenses Credit?—This is a credit you can take against your tax if you paid someone to care for your child or dependent so that you could work or look for work. You can also take the credit if you paid someone to care for your spouse. The instructions that follow list tests that must be met to take the credit. If you need more information, please get Publication 503, Child and Disabled Dependent Care.

For purposes of this credit, we have defined some of the terms used here. Refer to these when you read the instructions.

Definitions

A qualifying person can be:

- Any person under age 15 whom you list as a dependent. (If you are divorced, legally separated, or separated under a written agreement, please see the Child Custody Test in the instructions.)
- Your spouse who is mentally or physically not able to care for himself or herself.
- Any person not able to care for himself or herself whom you can list as a dependent, or could list as a dependent except that he or she had income of $1,000 or more.

A relative is your child, stepchild, mother, father, grandparent, brother, sister, grandchild, uncle, aunt, nephew, niece, stepmother, stepfather, stepbrother, stepsister, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, and daughter-in-law. A cousin is not a relative for purpose of this credit.

A full-time student is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 1981.

What Are Child and Dependent Care Expenses?

These expenses are the amounts you paid for household services and care of the qualifying person.

Household Services.—These are services performed by a cook, housekeeper, governess, maid, cleaning person, babysitter, etc. The services must have been needed to care for the qualifying person as well as run the home. For example, if you paid for the services of a maid or a cook, the services must have also been for the benefit of the qualifying person.

Care of the Qualifying Person.—Care includes cost of services for the well-being and protection of the qualifying person.

(Continued on back)

OREGON CREDIT = $160

Form **2441**
Department of the Treasury
Internal Revenue Service (0)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See instructions below.

OMB No. 1545-0068
1981
26

Name(s) as shown on Form 1040: BILL + MARY SMITH #7

Your social security number:

1 See the definition for "qualifying person" in the instructions. Then read the instructions for line 1.

(a) Name of qualifying person	(b) Date of birth	(c) Relationship	(d) During 1981, the person lived with you for: Months	Days
MARY SMITH		SPOUSE	12	

2 Persons or organizations who cared for those listed on line 1. See the instructions for line 2.

(a) Name and address (If more space is needed, attach schedule)	(b) Social security number, if applicable	(c) Relationship, if any	(d) Period of care From Month—Day	To Month—Day	(e) Amount of 1981 expenses (include those not paid during the year)
MRS. DAVIS	444-77-8899	NONE	1/1	12/31	4500
EMPLOYER'S SHARE OF	FICA				299

To Figure Your Credit, You MUST Complete ALL Lines That Apply

3 Add the amounts in column 2(e)	3	4799
4 Enter $2,000 ($4,000 if you listed two or more names in line 1) or amount on line 3, whichever is less	4	2000
5 Earned income (wages, salaries, tips, etc.). See the instructions for line 5. An entry MUST be made on this line. (a) If unmarried at end of 1981, enter your earned income (b) If married at end of 1981, enter: (1) Your earned income . . . $ 12000 (2) Your spouse's earned income $ 1992 Enter the lesser of b(1) or b(2) ▶	5	1992
6 Enter the amount on line 4 or line 5, whichever is less	6	1992
7 Amount on line 6 paid during 1981. An entry MUST be made on this line ▶	7	1992
8 Child and dependent child care expenses for 1980 paid in 1981. See instructions for line 8	8	
9 Add amounts on lines 7 and 8	9	1992
10 Multiply line 9 by 20 percent	10	398
11 Limitation: a Enter tax from Form 1040, line 37 . . . 11a 1238 b Enter total of lines 38, 39, and 41 through 43 of Form 1040 . . 11b 0		
c Subtract line 11b from line 11a (if line 11b is more than line 11a, enter zero)	11c	1238
12 Credit for child and dependent care expenses. Enter the smaller of line 10 or line 11c here and on Form 1040, line 40	12	398

13 If payments listed on line 2 were made to an individual, complete the following:	Yes	No
(a) If you paid $50 or more in a calendar quarter to an individual, were the services performed in your home?	☒	☐
(b) If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 13)?	☒	☐

(c) If answer to (b) is "Yes," enter your employer identification number ▶ 93-4445566

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

General Instructions

If you or your spouse worked or looked for work, and you spent money to care for a qualifying person, this form might save you tax.

What is the Child and Dependent Care Expenses Credit?—This is a credit you can take against your tax if you paid someone to care for your child or dependent so that you could work or look for work. You can also take the credit if you paid someone to care for your spouse. The instructions that follow list tests that must be met to take the credit. If you need more information, please get Publication 503, Child and Disabled Dependent Care.

For purposes of this credit, we have defined some of the terms used here. Refer to these when you read the instructions.

Definitions

A qualifying person can be:

- Any person under age 15 whom you list as a dependent. (If you are divorced, legally separated, or separated under a written agreement, please see the Child Custody Test in the instructions.)
- Your spouse who is mentally or physically not able to care for himself or herself.
- Any person not able to care for himself or herself whom you can list as a dependent, or could list as a dependent except that he or she had income of $1,000 or more.

A relative is your child, stepchild, mother, father, grandparent, brother, sister, grandchild, uncle, aunt, nephew, niece, stepmother, stepfather, stepbrother, stepsister, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, and daughter-in-law. A cousin is not a relative for purpose of this credit.

A full-time student is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 1981.

What Are Child and Dependent Care Expenses?

These expenses are the amounts you paid for household services and care of the qualifying person.

Household Services.—These are services performed by a cook, housekeeper, governess, maid, cleaning person, babysitter, etc. The services must have been needed to care for the qualifying person as well as run the home. For example, if you paid for the services of a maid or a cook, the services must have also been for the benefit of the qualifying person.

Care of the Qualifying Person.—Care includes cost of services for the well-being and protection of the qualifying person.

(Continued on back)

OREGON CREDIT = $159^{33}

Form **2441**
Department of the Treasury
Internal Revenue Service (0)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See Instructions below.

OMB No. 1545-0068
1981
26

Name(s) as shown on Form 1040: DAVE + MARY JONES #8

Your social security number:

1 See the definition for "qualifying person" in the instructions. Then read the instructions for line 1.

(a) Name of qualifying person	(b) Date of birth	(c) Relationship	(d) During 1981, the person lived with you for: Months	Days
JOE JONES	7-2-74	SON	12	
FLO JONES	8-2-75	DTR	12	

2 Persons or organizations who cared for those listed on line 1. See the instructions for line 2.

(a) Name and address (If more space is needed, attach schedule)	(b) Social security number, if applicable	(c) Relationship, if any	(d) Period of care From Month—Day	To Month—Day	(e) Amount of 1981 expenses (include those not paid during the year)
SHERRY KEEPER	888-99-5544	NONE	1-1	5-31	2250
EMPLOYER'S SHARE OF	FICA				150

To Figure Your Credit, You MUST Complete ALL Lines That Apply

3 Add the amounts in column 2(e)	3	2400
4 Enter $2,000 ($4,000 if you listed two or more names in line 1) or amount on line 3, whichever is less	4	2400
5 Earned income (wages, salaries, tips, etc.). See the instructions for line 5. An entry MUST be made on this line. (a) If unmarried at end of 1981, enter your earned income (b) If married at end of 1981, enter: (1) Your earned income . . . $ X5,[illegible] (2) Your spouse's earned income $ 1665 Enter the lesser of b(1) or b(2)	5	1665
6 Enter the amount on line 4 or line 5, whichever is less 333.+5	6	1665
7 Amount on line 6 paid during 1981. An entry MUST be made on this line ▶	7	1665
8 Child and dependent child care expenses for 1980 paid in 1981. See instructions for line 8	8	
9 Add amounts on lines 7 and 8	9	1665
10 Multiply line 9 by 20 percent	10	333
11 Limitation: a Enter tax from Form 1040, line 37 . . . 11a 1238 b Enter total of lines 38, 39, and 41 through 43 of Form 1040 . . . 11b 0		
c Subtract line 11b from line 11a (if line 11b is more than line 11a, enter zero)	11c	1238
12 Credit for child and dependent care expenses. Enter the smaller of line 10 or line 11c here and on Form 1040, line 40	12	333

13 If payments listed on line 2 were made to an individual, complete the following:

	Yes	No
(a) If you paid $50 or more in a calendar quarter to an individual, were the services performed in your home?	X	
(b) If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 13)?	X	

(c) If answer to (b) is "Yes," enter your employer identification number ▶ 93-7777888

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

General Instructions

If you or your spouse worked or looked for work, and you spent money to care for a qualifying person, this form might save you tax.

What is the Child and Dependent Care Expenses Credit?—This is a credit you can take against your tax if you paid someone to care for your child or dependent so that you could work or look for work. You can also take the credit if you paid someone to care for your spouse. The instructions that follow list tests that must be met to take the credit. If you need more information, please get Publication 503, Child and Disabled Dependent Care.

For purposes of this credit, we have defined some of the terms used here. Refer to these when you read the instructions.

Definitions

A qualifying person can be:

- Any person under age 15 whom you list as a dependent. (If you are divorced, legally separated, or separated under a written agreement, please see the Child Custody Test in the instructions.)
- Your spouse who is mentally or physically not able to care for himself or herself.
- Any person not able to care for himself or herself whom you can list as a dependent, or could list as a dependent except that he or she had income of $1,000 or more.

A **relative** is your child, stepchild, mother, father, grandparent, brother, sister, grandchild, uncle, aunt, nephew, niece, stepmother, stepfather, stepbrother, stepsister, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, and daughter-in-law. A cousin is not a relative for purpose of this credit.

A full-time student is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 1981.

What Are Child and Dependent Care Expenses?

These expenses are the amounts you paid for household services and care of the qualifying person.

Household Services.—These are services performed by a cook, housekeeper, governess, maid, cleaning person, babysitter, etc. The services must have been needed to care for the qualifying person as well as run the home. For example, if you paid for the services of a maid or a cook, the services must have also been for the benefit of the qualifying person.

Care of the Qualifying Person.—Care includes cost of services for the well-being and protection of the qualifying person.

(Continued on back)

OREGON CREDIT = $133

Schedules R&RP (Form 1040) 1981 OMB No. 1545-0074

Name(s) as shown on Form 1040 MARY N. SIMS #17	Your social security number

Schedule RP **Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System** 21

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s) Civil Service

Filing Status and Age (check only one box)

A ☒ Single, under 65

B ☐ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)

C ☐ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)

D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1981.

E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1981, and you are joining with your spouse in electing to use Schedule RP.

RP

OREGON CREDIT $53

Column (b)—Fill out column (b) whether you file a separate or joint return.

Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:
- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)	(b)
1 Enter: $2,500 if you checked box A . . . . $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income . . $1,875 if you checked box D or box E	1		2500
2 Enter: a Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a		-0-
b Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 26 of instructions for definition of earned income.): (i) If you are under 62, enter earned income that is over $900	2b(i)		
(ii) If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero . . . . . If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200 . . . . . If earned income is over $1,700, enter the amount over $1,450	2b(ii)		150
3 Add lines 2a and 2b	3		150
4 Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4		2350
5 Retirement income: a If under 65—Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a		7200
b If 65 or over—Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part I, columns A-C, line 3a. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b		
6 Enter amount from line 4 or line 5, whichever is less	6		2350
7 Add amounts in columns (a) and (b) of line 6. Enter total here . . . . ▶	7		2350
8 Multiply line 7 by 15% (.15)	8		353
9 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)	9		915
10 Enter the amount from line 8 or line 9, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 . . . . ▶	10		353

For Paperwork Reduction Act Notice, see Form 1040 Instructions. ☆ U.S. GOVERNMENT PRINTING OFFICE 1981—0—343-065 95-0875140

Schedules R & RP (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Credit for the Elderly

▶ See Instructions for Schedules R and RP.
▶ Attach to Form 1040. ▶ Schedule RP is on back.

OMB No. 1545-0074
1981
21

Name(s) as shown on Form 1040: JOHN N. & JANE N. BAKER #18

Your social security number

Please Note: *IRS will figure your Credit for the Elderly and compute your tax. Please see "IRS Will Figure Your Tax and Some of Your Credits" on page 3 of the Form 1040 instructions and complete the applicable lines on Form 1040 and Schedule R or RP.*

Should You Use Schedule R or RP?

If you are:	And were:	Use Schedule:
Single	▶ 65 or over	R
	▶ under 65 and had income from a public retirement system	RP
Married, filing separate return [1]	▶ 65 or over (unless joining in the election to use Schedule RP with your spouse who is under 65 and had income from a public retirement system)	R
	▶ under 65 and had income from a public retirement system (unless your spouse is 65 or over and does not join in the election to use Schedule RP)	RP
Married, filing joint return	▶ both 65 or over	R
	▶ one 65 or over, and one under 65 with no income or income other than from a public retirement system	R
	▶ both under 65 and one or both had income from a public retirement system	RP
	▶ one 65 or over, and one under 65 with income from a public retirement system	R or RP [2]

[1] You can take the credit on a separate return ONLY if you and your spouse lived apart for the whole year. See "Purpose" in Schedules R&RP instructions for limitation.

[2] Figure your credit on both schedules to see which gives you more credit.

Schedule R

Credit for the Elderly—For People 65 or Over

If you received nontaxable pensions (social security, etc.) of $3,750 or more or your adjusted gross income (Form 1040, line 32a) was $17,500 or more, you cannot take the credit for the elderly. Do not file this schedule.

OREGON CREDIT = $29

R

Filing Status and Age (check only one box)
- A ☐ Single, 65 or over
- B ☒ Married filing joint return, only one spouse 65 or over
- C ☐ Married filing joint return, both 65 or over
- D ☐ Married filing separate return, 65 or over, and did not live with spouse at any time in 1981

1 Enter: $2,500 if you checked box A or B $3,750 if you checked box C $1,875 if you checked box D			1	2500
2 a Enter amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero		2a	1200	
b Enter amount from Form 1040, line 32a	2b	8500		
c Enter: $7,500 if you checked box A $10,000 if you checked box B or C $5,000 if you checked box D	2c	10000		
d Subtract line 2c from 2b. If line 2c is more than line 2b, enter zero	2d	-0-		
e Enter one-half (½) of line 2d		2e	-0-	
3 Add lines 2a and 2e. (If line 3 is the same or more than line 1, you cannot take the credit; do not file this schedule. If line 3 is less than line 1, go on to line 4.)			3	1200
4 Subtract line 3 from line 1			4	1300
5 Multiply line 4 by 15% (.15)			5	195
6 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)			6	291
7 Enter the amount from line 5 or line 6, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 ▶			7	195

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedules R & RP
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Credit for the Elderly

▶ See Instructions for Schedules R and RP.
▶ Attach to Form 1040. ▶ Schedule RP is on back.

OMB No. 1545-0074
1981
21

Name(s) as shown on Form 1040: Bill N. Poley #19

Your social security number:

Please Note: *IRS will figure your Credit for the Elderly and compute your tax. Please see "IRS Will Figure Your Tax and Some of Your Credits" on page 3 of the Form 1040 instructions and complete the applicable lines on Form 1040 and Schedule R or RP.*

Should You Use Schedule R or RP?

If you are:	And were:	Use Schedule:
Single	▶ 65 or over	R
	▶ under 65 and had income from a public retirement system	RP
Married, filing separate return [1]	▶ 65 or over (unless joining in the election to use Schedule RP with your spouse who is under 65 and had income from a public retirement system)	R
	▶ under 65 and had income from a public retirement system (unless your spouse is 65 or over and does not join in the election to use Schedule RP)	RP
Married, filing joint return	▶ both 65 or over	R
	▶ one 65 or over, and one under 65 with no income or income other than from a public retirement system	R
	▶ both under 65 and one or both had income from a public retirement system	RP
	▶ one 65 or over, and one under 65 with income from a public retirement system	R or RP [2]

[1] You can take the credit on a separate return ONLY if you and your spouse lived apart for the whole year. See "Purpose" in Schedules R&RP instructions for limitation.

[2] Figure your credit on both schedules to see which gives you more credit.

Schedule R Credit for the Elderly—For People 65 or Over

If you received nontaxable pensions (social security, etc.) of $3,750 or more or your adjusted gross income (Form 1040, line 32a) was $17,500 or more, you cannot take the credit for the elderly. Do not file this schedule.

Oregon Credit = $23

R

Filing Status and Age (check only one box)
A ☒ Single, 65 or over
B ☐ Married filing joint return, only one spouse 65 or over
C ☐ Married filing joint return, both 65 or over
D ☐ Married filing separate return, 65 or over, and did not live with spouse at any time in 1981

1 Enter: $2,500 if you checked box A or B; $3,750 if you checked box C; $1,875 if you checked box D . . . 1 2500

2 a Enter amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero . . . 2a 1200

b Enter amount from Form 1040, line 32a . . . 2b 8100

c Enter: $7,500 if you checked box A; $10,000 if you checked box B or C; $5,000 if you checked box D . . . 2c 7500

d Subtract line 2c from 2b. If line 2c is more than line 2b, enter zero . . . 2d 600

e Enter one-half (½) of line 2d . . . 2e 300

3 Add lines 2a and 2e. (If line 3 is the same or more than line 1, you cannot take the credit; do not file this schedule. If line 3 is less than line 1, go on to line 4.) . . . 3 1500

4 Subtract line 3 from line 1 . . . 4 1000

5 Multiply line 4 by 15% (.15) . . . 5 150

6 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.) . . . 6 616

7 Enter the amount from line 5 or line 6, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 . . . ▶ 7 150

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedules R&RP (Form 1040) 1981 OMB No. 1545-0074

Name(s) as shown on Form 1040: Don C + June B. Daley #20

Your social security number

Schedule RP Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System

21

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s)

Filing Status and Age (check only one box)

- A ☐ Single, under 65
- B ☐ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- C ☒ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1981.
- E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1981, and you are joining with your spouse in electing to use Schedule RP.

RP

Oregon Credit = $42

Column (b)—Fill out column (b) whether you file a separate or joint return.

Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:

- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)	(b)
1 Enter: $2,500 if you checked box A . . . . $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income . . $1,875 if you checked box D or box E	1	2500	1250
2 Enter: a Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a		1000
b Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 26 of instructions for definition of earned income.): (i) If you are under 62, enter earned income that is over $900	2b(i)		
(ii) If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero . . . . . If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200. . . . . If earned income is over $1,700, enter the amount over $1,450	2b(ii)		
3 Add lines 2a and 2b	3	-0-	1000
4 Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4	2500	250
5 Retirement income: a If under 65— Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a	3000	-0-
b If 65 or over— Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part I, columns A-C, line 3a. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b		
6 Enter amount from line 4 or line 5, whichever is less	6	2500	-0-

7 Add amounts in columns (a) and (b) of line 6. Enter total here . . . . ▶	7	2500
8 Multiply line 7 by 15% (.15)	8	375
9 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)	9	277
10 Enter the amount from line 8 or line 9, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 . . . . ▶	10	277

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE 1981—0—343-065 95-0875141

Schedules R & RP
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Credit for the Elderly

▶ See instructions for Schedules R and RP.
▶ Attach to Form 1040. ▶ Schedule RP is on back.

OMB No. 1545-0074
1981
21

Name(s) as shown on Form 1040: MARVIN A. & ROBERTA B. DYE #21

Your social security number:

Please Note: *IRS will figure your Credit for the Elderly and compute your tax. Please see "IRS Will Figure Your Tax and Some of Your Credits" on page 3 of the Form 1040 instructions and complete the applicable lines on Form 1040 and Schedule R or RP.*

Should You Use Schedule R or RP?

If you are:	And were:	Use Schedule:
Single	▶ 65 or over	R
	▶ under 65 and had income from a public retirement system	RP
Married; filing separate return [1]	▶ 65 or over (unless joining in the election to use Schedule RP with your spouse who is under 65 and had income from a public retirement system)	R
	▶ under 65 and had income from a public retirement system (unless your spouse is 65 or over and does not join in the election to use Schedule RP)	RP
Married, filing joint return	▶ both 65 or over	R
	▶ one 65 or over, and one under 65 with no income or income other than from a public retirement system	R
	▶ both under 65 and one or both had income from a public retirement system	RP
	▶ one 65 or over, and one under 65 with income from a public retirement system	R or RP [2]

[1] You can take the credit on a separate return ONLY if you and your spouse lived apart for the whole year. See "Purpose" in Schedules R&RP instructions for limitation.

[2] Figure your credit on both schedules to see which gives you more credit.

Schedule R — Credit for the Elderly—For People 65 or Over

If you received nontaxable pensions (social security, etc.) of $3,750 or more or your adjusted gross income (Form 1040, line 32a) was $17,500 or more, you cannot take the credit for the elderly. Do not file this schedule.

OREGON CREDIT = $11

R

Filing Status and Age (check only one box)
- A ☐ Single, 65 or over
- B ☒ Married filing joint return, only one spouse 65 or over
- C ☐ Married filing joint return, both 65 or over
- D ☐ Married filing separate return, 65 or over, and did not live with spouse at any time in 1981

1 Enter: $2,500 if you checked box A or B; $3,750 if you checked box C; $1,875 if you checked box D		1	2500
2 a Enter amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a 2000		
b Enter amount from Form 1040, line 32a	2b 9300		
c Enter: $7,500 if you checked box A; $10,000 if you checked box B or C; $5,000 if you checked box D	2c 10000		
d Subtract line 2c from 2b. If line 2c is more than line 2b, enter zero	2d -0-		
e Enter one-half (½) of line 2d	2e -0-		
3 Add lines 2a and 2e. (If line 3 is the same or more than line 1, you cannot take the credit; do not file this schedule. If line 3 is less than line 1, go on to line 4.)		3	2000
4 Subtract line 3 from line 1		4	500
5 Multiply line 4 by 15% (.15)		5	75
6 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)		6	418
7 Enter the amount from line 5 or line 6, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 ▶		7	75

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Schedules R&RP (Form 1040) 1981 OMB No. 1545-0074

Name(s) as shown on Form 1040: MARY MAPLE #22

Your social security number: : :

chedule RP **Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System** 21

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s): OREGON STATE

Filing Status and Age (check only one box)

- A ☒ Single, under 65
- B ☐ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- C ☐ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1981.
- E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1981, and you are joining with your spouse in electing to use Schedule RP.

RP

OREGON CREDIT = #21

Column (b)—Fill out column (b) whether you file a separate or joint return.

Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:
- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)	(b)
1 Enter: $2,500 if you checked box A . . . . $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income . . $1,875 if you checked box D or box E	1		2500
Enter: a Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a		-0-
b Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 26 of instructions for definition of earned income.): (i) If you are under 62, enter earned income that is over $900	2b(i)		
(ii) If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero . . . . If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200 . . . . If earned income is over $1,700, enter the amount over $1,450	2b(ii)		1550
3 Add lines 2a and 2b	3		1550
4 Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4		950
5 Retirement income: a If under 65— Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a		6000
b If 65 or over— Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part I, columns A–C, line 3a. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b		
6 Enter amount from line 4 or line 5, whichever is less	6		950

Add amounts in columns (a) and (b) of line 6. Enter total here . . . . ▶	7	950
8 Multiply line 7 by 15% (.15)	8	143
9 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)	9	972
10 Enter the amount from line 8 or line 9, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 . . . . ▶	10	143

For Paperwork Reduction Act Notice, see Form 1040 Instructions. ☆ U.S. GOVERNMENT PRINTING OFFICE 1981—O—343-085 95-0875140

Form **3468**
Department of the Treasury
Internal Revenue Service (0)

Computation of Investment Credit

▶ Attach to your tax return.
▶ Use separate Schedule B (Form 3468) to figure your tentative business energy investment credit.

OMB. No. 1545-0155
1981
27

Name #23

Identifying number as shown on page 1 of your tax return

Part I Elections (Check the box(es) below that apply to you (see Instruction D).)

A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) . . . . ☐
B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) . . . . . . ☐
C I elect to increase my qualified investment by all qualified progress expenditures made this tax year and all later years . . . . ☐
Enter total qualified progress expenditures included in column (4), Part II ▶ ....
D I claim full credit on certain ships under section 46(g)(3). (See Instruction B for details.) . . . . ☐

Part II Qualified Investment

Figure your qualified investment in new or used investment credit property acquired or constructed and placed in service during the tax year. The qualified investment for qualified progress expenditures and qualified rehabilitation expenditures is allowed in the tax year the expenditure is incurred or in the case of self-constructed property the year the expenditure is chargeable to a capital account for the property.

For certain taxpayers, the basis or cost of property placed in service after February 18, 1981, is limited to the amount the taxpayer is at risk for the property at year end. See Instruction E.

Note: Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.

1 Recovery Property	Line	(1) Recovery Period	(2) Unadjusted Basis	(3) Applicable percentage	(4) Qualified investment (Column 2 × column 3)
New	(a)	3-Year	13,000	60	7800
	(b)	Other		100	
Used	(c)	3-Year		60	
	(d)	Other	12,000	100	12,000
2 Total—Add lines 1(a) through 1(d)				2	19,800

3 Nonrecovery Property	Line	(1) Life years	(2) Basis or cost	(3) Applicable percentage	(4) Qualified investment (Column 2 × column 3)
New	(a)	3 or more but less than 5		33⅓	
	(b)	5 or more but less than 7		66⅔	
	(c)	7 or more		100	
Used	(d)	3 or more but less than 5		33⅓	
	(e)	5 or more but less than 7		66⅔	
	(f)	7 or more		100	

4 Total—Add lines 3(a) through 3(f)	4	
5 New commuter highway vehicle—Enter total qualified investment. (See Instruction D) . . .	5	
6 Used commuter highway vehicle—Enter total qualified investment. (See Instruction D) . . .	6	
7 Qualified rehabilitation expenditures incurred before January 1, 1982, for: (see specific instructions)		
(a) Improvements with 5 or more but less than 7 years—Enter 66⅔% of expenditures . . .	7(a)	
(b) Improvements with 7 or more life years—Enter 100% of expenditures	7(b)	
8 Total qualified investment in 10% property—Add lines 2, 4, 5, 6, 7(a) and 7(b). (See instructions for special limits) .	8	19,800
9 Enter 100% of qualified rehabilitation expenditures incurred after December 31, 1981, for: .		
(a) 30-year old buildings	9a	
(b) 40-year old buildings	9b	
(c) Certified historic structures (Enter the Dept. of Interior assigned project number ....)	9c	
10 Total qualified investment—Add lines 8, 9(a), 9(b), and 9(c)	10	19,800

Part III Tentative Regular Investment Credit

11 10% of line 8	11	1980
12 15% of line 9(a)	12	
13 20% of line 9(b)	13	
14 25% of line 9(c)	14	
15 Corporations electing the basic or basic and matching employee plan percentage for contributions to tax credit employee stock ownership plans—Check box A above (see Instruction D)		
(a) Basic 1% credit—Enter 1% of line 10	15a	
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 10 (attach schedule) .	15b	
16 Credit from Cooperative—Enter regular investment credit from cooperatives	16	
17 Current year regular investment credit—Add lines 11 through 16	17	
18 Carryover of unused credits	18	
19 Carryback of unused credits	19	
20 Tentative regular investment credit—Add lines 17, 18, and 19, enter here and in Part IV, line 21 .	20	1980

For Paperwork Reduction Act Notice, see page 2.

Part IV Tax Liability Limitations

21 Tentative credit from Part III, line 20			21	1980
22 (a) Individuals—Enter amount from Form 1040, line 37, page 2 (b) Estates and trusts—Enter amount from Form 1041, line 26, page 1 (c) Corporations—Enter amount from Schedule J (Form 1120), line 3, page 3 (d) Others—Enter tax before credits from your return			22	1100
23 (a) Credit for the elderly (individuals only)	23(a)			
(b) Foreign tax credit	23(b)			
(c) Tax on lump-sum distribution from Form 4972 or Form 5544	23(c)			
(d) Possessions corporation tax credit (corporations only)	23(d)			
(e) Section 72(m)(5) penalty tax (individuals only)	23(e)			
24 Total—Add lines 23(a) through 23(e)			24	-0-
25 Subtract line 24 from line 22			25	1100
26 (a) Enter smaller of line 25 or $25,000. See instruction for line 26			26(a)	1100
(b) If line 25 is more than line 26(a), and your tax year ends in 1981, enter 80% of the excess (if your tax year ends in 1982, enter 90% of the excess)			26(b)	
27 Regular investment credit limitation—Add lines 26(a) and 26(b)			27	1100
28 Allowed regular investment credit—Enter the smaller of line 21 or line 27			28	1100
29 Business energy investment credit limitation—Subtract line 28 from line 25			29	-0-
30 Business energy investment credit—Enter amount from line 14 of Schedule B (Form 3468)			30	
31 Allowed business energy investment credit—Enter smaller of line 29 or line 30			31	-0-
32 Total allowed regular and business energy investment credit—Add lines 28 and 31. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 4(b), page 3; or the proper line on other returns			32	1100

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★U.S.GPO:1981-0-343-160 EI# 430814328

1980
<1100>
880 CARRYBACK TO 1978

Form **3468**
Department of the Treasury
Internal Revenue Service (0)

Computation of Investment Credit

▶ Attach to your tax return.
▶ Use separate Schedule B (Form 3468) to figure your tentative business energy investment credit.

OMB. No. 1545-0155
1981
27

Name #24	Identifying number as shown on page 1 of your tax return

Part I Elections (Check the box(es) below that apply to you (see Instruction D).)

A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) . . . . ☐
B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) . . . . . ☐
C I elect to increase my qualified investment by all qualified progress expenditures made this tax year and all later years . . . . ☐
Enter total qualified progress expenditures included in column (4), Part II ▶
D I claim full credit on certain ships under section 46(g)(3). (See Instruction B for details.) . . . . ☐

Part II Qualified Investment

Figure your qualified investment in new or used investment credit property acquired or constructed and placed in service during the tax year. The qualified investment for qualified progress expenditures and qualified rehabilitation expenditures is allowed in the tax year the expenditure is incurred or in the case of self-constructed property the year the expenditure is chargeable to a capital account for the property.

For certain taxpayers, the basis or cost of property placed in service after February 18, 1981, is limited to the amount the taxpayer is at risk for the property at year end. See Instruction E.

Note: *Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.*

1 Recovery Property	Line	(1) Recovery Period	(2) Unadjusted Basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New	(a)	3-Year	3300	60	1980
	(b)	Other	10,000	100	10,000
Used	(c)	3-Year		60	
	(d)	Other		100	
2 Total—Add lines 1(a) through 1(d)				2	11980

3 Nonrecovery Property	Line	(1) Life years	(2) Basis or cost	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New	(a)	3 or more but less than 5		33⅓	
	(b)	5 or more but less than 7		66⅔	
	(c)	7 or more		100	
Used	(d)	3 or more but less than 5		33⅓	
	(e)	5 or more but less than 7		66⅔	
	(f)	7 or more		100	

4 Total—Add lines 3(a) through 3(f)	4	
5 New commuter highway vehicle—Enter total qualified investment. (See Instruction D) . . .	5	
6 Used commuter highway vehicle—Enter total qualified investment. (See Instruction D) . . .	6	
7 Qualified rehabilitation expenditures incurred before January 1, 1982, for: (see specific instructions)		
(a) Improvements with 5 or more but less than 7 years—Enter 66⅔% of expenditures . . .	7(a)	
(b) Improvements with 7 or more life years—Enter 100% of expenditures	7(b)	
8 Total qualified investment in 10% property—Add lines 2, 4, 5, 6, 7(a) and 7(b). (See instructions for special limits) .	8	11,980
9 Enter 100% of qualified rehabilitation expenditures incurred after December 31, 1981, for: . .		
(a) 30-year old buildings	9a	
(b) 40-year old buildings	9b	
(c) Certified historic structures (Enter the Dept. of Interior assigned project number ....)	9c	
10 Total qualified investment—Add lines 8, 9(a), 9(b), and 9(c)	10	11,980

Part III Tentative Regular Investment Credit

11 10% of line 8	11	1198
12 15% of line 9(a)	12	
13 20% of line 9(b)	13	
14 25% of line 9(c)	14	
15 Corporations electing the basic or basic and matching employee plan percentage for contributions to tax credit employee stock ownership plans—Check box A above (see Instruction D)		
(a) Basic 1% credit—Enter 1% of line 10	15a	
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 10 (attach schedule) .	15b	
16 Credit from Cooperative—Enter regular investment credit from cooperatives	16	
17 Current year regular investment credit—Add lines 11 through 16	17	1198
18 Carryover of unused credits	18	
19 Carryback of unused credits	19	
20 Tentative regular investment credit—Add lines 17, 18, and 19, enter here and in Part IV, line 21 .	20	1198

For Paperwork Reduction Act Notice, see page 2.

Form **4255**
(Rev. Nov. 1981)
Department of the Treasury
Internal Revenue Service

Recapture of Investment Credit

(Including Energy Investment Credit)

▶ Attach to your income tax return

OMB No. 1545-0166
Expires 11-30-83

Attach separate schedules for recapture of investment credit from disposed qualified progress expenditure property and property ceasing to be at risk (see instructions for lines 13a and 13b).

Name #25

Identifying number as shown on page 1 of your tax return

Properties	Kind of property (State whether recovery or nonrecovery. If energy property, show type of property. Indicate if rehabilitation expenditure property.)
A	TRUCK (NON RECOVERY)
B	
C	
D	
E	

Original Investment Credit

Computation Steps:	A	B	C	D	E
1 Original rate of credit	10%				
2 Date property was placed in service	9-1-75				
3 Cost or other basis	6000				
4 Original estimated useful life or class of property (see instructions)	8				
5 Applicable percentage	100				
6 Original qualified investment (line 3 times line 5)	6000				
7 Original credit (line 1 times line 6)	600				
8 Date property ceased to be investment credit property (see instructions)	12-3-81				
9 Number of full years between the date on line 2 and the date on line 8	6				
10 Recapture percentage (see instructions)	33.3				
11 Tentative recapture tax—Line 7 times line 10	200				

Computation of Recapture Tax

12 Add line 11, columns A through E	200
13 a Enter tax from disposed qualified progress expenditure property (attach separate computation)	
b Enter tax from any part of property ceasing to be at risk (attach separate computation)	
14 Total—Add lines 12, 13a and 13b	200
15 Unused credit—Do not enter more than line 14 (see instructions)	
16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return. Do not use this amount to reduce current year's investment credit figured on Form 3468, Computation of Investment Credit. Any unused credit on line 15 cannot be used in any year as a carryback or carryover	200

For Paperwork Reduction Act Notice, see Instructions on back.

KEY TO QUIZ: Session XIII

1.	A	7.	D	13.	D	19.	C	25.	False
2.	D	8.	C	14.	C	20.	D	26.	True
3.	D	9.	A	15.	C	21.	E	27.	False (thru '87)
4.	C	10.	D	16.	A	22.	B	28.	False
5.	C	11.	D	17.	A	23.	Double	29.	True
6.	B	12.	A	18.	C	24.	$6,000	30.	False
								31.	False
								32.	True

33. a. True
    b. False. It may be carried over to later tax years through 1987.
    c. True
    d. True
    e. False. This property must have a useful life of at least 5 years.

34. a. Recapture. Also, the taxpayer is entitled to an investment credit for the replacement truck.
    b. Recapture. Gifts are dispositions on which recapture applies.
    c. No recapture. Neither the taxpayer (on his final return) nor the taxpayer's estate would have the recapture the credit. There is no recapture where the disposition is caused by the taxpayer's death.
    d. Recapture. The taxpayer must recapture the credit on exchanges of qualifying property.

SESSION XIV
CAPITAL GAINS AND LOSSES, SALES AND EXCHANGES, (Including BAD DEBTS AND LOSSES)
Schedule D

Reading Assignment: Publication 17, Ch. 27,29,31,32
Publication 334, Ch. 24,25,26

Forms Required for Class Handout: Schedule D (2)

I. Review

  A. Review quiz taken in previous session.

  B. Review assignment not covered in last session.

  C. Answer all questions students have at this time before going into new material.

II. Introduction of New Material

III. Teaching Hints

  A. Vocabulary (Student Workbook)

  B. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Short quiz

VII. Resources for teacher:

  A. Transparency: Schedule D

  B. IRS Publications: 544, 548

  C. Keys to Problems and Quiz

II. INTRODUCTION OF NEW MATERIAL

A. Define Capital Asset:

Any property owned by the taxpayer as an investment, in stocks, bonds, securities, land, etc. Take time, make this explanation clear, then compare to personal-use property and depreciable property. For property used for personal purposes, gains are taxable and some losses are not deductible.

B. Schedule D:

Follow Schedule D using overhead projector in explaining gains and losses but do not dwell on pre-1970 carryovers. Confine most of the lecture to sales and mention exchanges briefly. In demonstrating examples, be sure to carry the result forward to the 1040.

1. Holding period
   - a. Determines whether asset is short or long term.
   - b. Begin counting on the day after the purchase and include the day of sale.
2. Short-term capital assets held one year or less:
   - a. Gains fully taxable
   - b. Losses fully deductible up to the limitations
3. Determination of gain or loss: "amount realized" less "adjusted basis" = gain or loss.
   - a. Amount realized:
     - 1) All cash received
     - 2) FMV of property received
     - 3) Notes and mortgages received
   - b. Expenses of sale:
     - 1) Legal fees
     - 2) Selling commissions
     - 3) Transfer taxes
     - 4) Advertising costs, etc.
   - c. Adjusted basis covered in Session X
4. Net capital gains and losses

   Net short-term gains or losses must be combined with net long-term gains or losses to determine if there is a total net gain or loss.

5. Capital loss carryover

   When loss exceeds the deduction limitation, the loss retains its original character as long-term or short-term. These losses are carried over in full to next year. No limitation on carryover years.

6. Short sales

   Short sales are always short-term regardless of time held.

7. Wash sales

   Losses from wash sales are not deductible.

C. Nontaxable exchanges

The tax on nonrecognized gain or loss is postponed since adjustments must be made to replacement property.

1. Like kind exchanges

   Neither gain nor loss is recognized if qualified property is exchanged solely for property of like kind.

2. Involuntary exchanges

   Involuntary exchanges involve casualties, thefts, and condemnations.

D. Bad Debts:

1. Personal bad debts:
    - a. Must become entirely worthless during the year; do not claim if partially worthless.
    - b. Always short-term.
2. Business bad debts:
    - a. Differentiate difference between business and nonbusiness bad debts.
    - b. Above 1a and 1b apply to personal bad debts only.
3. Bad debts must have arisen from a valid "debtor-creditor" relationship based on a valid and legally enforceable obligation to pay a fixed sum of money.

QUIZ: Session XIV - Capital Gains and Losses, Sales and Exchanges

1. Jim Holmes sold stock in April which cost him $5,000, to his uncle for its fair market value of $5,500. In the same calendar year his uncle sold the stock at a loss of $300. Jim should report:

   A. No income since gains between related parties are not taxable.
   B. An offset of his uncle's loss of $300 against his gain of $500.
   C. A capital gain of $500.
   D. No income if proceeds of sale are reinvested in the same stock.

2. Indicate which of the following is a capital asset:

   A. Stock in trade (inventory)
   B. Accounts receivable acquired in business.
   C. Personal residence
   D. Depreciable asset used in business
   E. None of the above

3. In 1964 Rita gave Louise, her daughter, 10 shares of ABC stock valued at $2,000. The stock cost Rita $3,000. Louise sold the stock in 1979 for $2,500. How much gain or loss should Louise report on the sale?

4. Which of the following statements concerning the computation of capital gains and losses is incorrect?

   A. The adjusted basis of property includes such improvements as new walls, doors, or floors and central air conditioning.
   B. The adjusted sales price (sales price plus selling expenses less fixing up expenses) less the basis of the property (cost plus improvements less depreciation claimed) results in taxable gain or loss.
   C. The holding period is figured by excluding the day of purchase and including the day of disposition.
   D. The capital gain deduction is 60% of net long-term capital gains.

5. T F A sale or exchange of property is always reported on Schedule D.

6. T F Gains and losses are either ordinary or capital.

7. T F A loss on the sale or exchange of your personal residence is deductible.

8. Ten years ago, Mr. Peebles bought a diamond ring costing $10,000 for his wife. Recently she sold the ring for $8,000. Has she a deductible loss?

9. Mr. Brown suffers a $12,000 long-term capital loss when he sells certain stocks, but his wife realizes $8,000 short-term capital gain when she sells stock held for less than one year. If they file a joint return, may the husband use his long-term loss to offset the wife's short-term gain?

10. Penny Brown purchased securities on June 10 of the current year and they became worthless on November 1 of the same year. She is not a dealer in securities.

A. As of what date is the worthlessness of the securities presumed to have occurred? ____________
B. Is the capital loss short or long-term?____________
C. May she wait until the following year, sell the securities for a few cents to a friend, and deduct the loss in that year? ________________

11. Elvin Erlicker sold stocks for $1,000 in November 1979. They had cost him $3,500 in 1974. How much of this loss is used to offset ordinary income in the current year?

12. Which of the following transactions is not originally reported on Schedule D?

A. Sale of personal auto at a gain.
B. Sale of common stock held less than one year.
C. Carryover of pre-1970 long-term capital losses.
D. Sale or trade of business property.

13. You sell your personal automobile for $1,200 which originally cost $1,600. If the car was held one year or less, how much can you deduct?

A. $1,200
B. 400
C. 1,600
D. None

14. Assume you held the car above for thirteen months and sold it in April for $1,800. How much will be included in your adjusted gross income?

A. $1,800
B. 80
C. 200
D. None

15. The maximum capital loss you can deduct on a joint return is:

A. No limit
B. $2,000
C. 1,000
D. 3,000

16. You are married and file jointly and incurred the following capital transactions during the year: $3,500 short-term loss, $960 long-term loss, $440 long-term loss carryover from 1974. What is your maximum deductible loss for the year?

A. $3,000
B. 4,950
C. 4,250
D. 4,510

KEY TO EXERCISES: Session XIV: Capital Gains and Losses, Sales and Exchanges

1. a. Short-term
   b. 1980
   c. ($500)

2. a. $500
   b. 1981

3. Long-term

4. a. Loss ($500)
   b. $2,500
   c. $800

5. This is a wash sale. No loss allowed in 1980. However, the loss of $1,000 on the sale in December is added to the cost of the shares purchased in January, so Sandy's basis in the shares is $4,800.

6. a. None
   b. $3,600 ($2,800 cash + $800 basis in cab traded in)

7. a. $200
   b. $3,800

8. a. Stock loss ($2,000)
   b. $32,000

Situation 1 - Completed Schedule D follows

AGI = $10,600

Situation 2 - Completed Schedule D follows

KEY TO QUIZ: Session XIV: Capital Gains and Losses, Sales and Exchanges

1. C (Teacher: Reverse the problem and show nondeductibility of loss to uncle and adjustment to uncle's gain by nonrecognition of loss)

2. C

3. -0- No gain or loss (Teacher: Explain concept in detail--Refer to Session X)

4. B

5. F

6. T

7. F

8. No

9. Yes

10. A. December 31; B. Short-term; C. No

11. $1,250 (50% x 2,500)

12. D

13. D

14. B

15. D

16. A: (Teacher Hint: Point out to students that entire $3,000 consists of short-term loss because it is claimed before any LTCL).

SCHEDULE D
(FORM 1040)
Department of the Treasury
Internal Revenue Service (0)

Capital Gains and Losses

(Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.)

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

OMB No. 1545-0074
1981
14

Name(s) as shown on Form 1040: KAY WINTER #1

Your social security number: 651 | 87 | 3429

D

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

a. Kind of property and description (Example, 100 shares 7% preferred of "Z" Co.)	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis, as adjusted (see instructions page 23)	f. LOSS If column (e) is more than (d) subtract (d) from (e)	g. GAIN If column (d) is more than (e) subtract (e) from (d)
1 Stock	6-81	6-81				1200

		f. LOSS	g. GAIN
2a	Gain from sale or exchange of a principal residence held one year or less, from Form 2119, lines 7 or 11	▨	
b	Short-term capital gain from installment sales from Form 6252, line 19 or 27	▨	
3	Enter your share of net short-term gain or (loss) from partnerships and fiduciaries		
4	Add lines 1 through 3 in column f and column g	( )	1200
5	Combine line 4, column f and line 4, column g and enter the net gain or (loss)		1200
6	Short-term capital loss carryover from years beginning after 1969		( )
7	Net short-term gain or (loss), combine lines 5 and 6		1200

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

a. Kind of property and description	b. Date acquired	c. Date sold	d. Gross sales price less expense of sale	e. Cost or other basis	f. LOSS	g. GAIN
8 Stock		6-81				400

		f. LOSS	g. GAIN
9a	Gain from sale or exchange of a principal residence held more than one year, from Form 2119, lines 7, 11, 16 or 18	▨	
b	Long-term capital gain from installment sales from Form 6252, line 19 or 27	▨	
10	Enter your share of net long-term gain or (loss) from partnerships and fiduciaries		
11	Add lines 8 through 10 in column f and column g	( )	400
12	Combine line 11, column f and line 11, column g and enter the net gain or (loss)		400
13	Capital gain distributions		
14	Enter gain from Form 4797, line 5(a)(1)		
15	Enter your share of net long-term gain from small business corporations (Subchapter S)		
16	Combine lines 12 through 15		400
17	Long-term capital loss carryover from years beginning after 1969		(1000)
18	Net long-term gain or (loss), combine lines 16 and 17		<600>

Note: *Complete this form on reverse. However, if you have capital loss carryovers from years beginning before 1970, do not complete Parts III or V. See Form 4798 instead.*

For Paperwork Reduction Act Notice, see Form 1040 Instructions

Part III Summary of Parts I and II

19 Combine lines 7 and 18, and enter the net gain or (loss) here		600
NOTE: *If line 19 is a gain complete lines 20 through 22. If line 19 is a loss complete lines 23 and 24.*		▨
20 If line 19 shows a gain, enter the smaller of line 18 or line 19. Enter zero if there is a loss or no entry on line 18	0	▨
21 Enter 60% of line 20		0
If line 21 is more than zero, you may be liable for the alternative minimum tax. See Form 6251.		
22 Subtract line 21 from line 19. Enter here and on Form 1040, line 12		600
23 If line 19 shows a loss, enter one of the following amounts: (*i*) If line 7 is zero or a net gain, enter 50% of line 19, (*ii*) If line 18 is zero or a net gain, enter line 19; or, (*iii*) If line 7 and line 18 are net losses, enter amount on line 7 added to 50% of the amount on line 18		
24 Enter here and as a loss on Form 1040, line 12, the smallest of: (*i*) The amount on line 23; (*ii*) $3,000 ($1,500 if married and filing a separate return); or, (*iii*) Taxable income, as adjusted		

Part IV Computation of Alternative Tax

(Complete this part if line 20 (or Form 4798, line 8) shows a gain and your tax rate is above 50%. See instructions page 23.)

25 Net short-term gain or (loss) from line 5, from sales or exchanges after June 9, 1981		
26 Net long-term gain or (loss) from line 16, from sales or exchanges after June 9, 1981		
27 If line 26 shows a gain, combine line 25 and line 26. If line 26 or this line shows a loss or zero, enter zero and do not complete rest of this part		
28 Enter the smaller of line 26 or line 27		▨
29 Enter the smaller of line 20 (or Form 4798, line 8) or line 28		▨
30 Enter your Taxable Income from Form 1040, line 34		
31 Enter 40% of line 29		
32 Subtract line 31 from line 30. If line 31 is more than line 30, enter zero		
33 Tax on amount on line 32. ☐ Tax Rate Schedule X, Y, or Z; ☐ Schedule G. (See instructions page 23)		
34 Enter 20% of line 29		
35 Add lines 33 and 34. If the result is less than your tax using other methods, enter this amount on Form 1040, line 35 and check Schedule D box		

Part V Computation of Post-1969 Capital Loss Carryovers from 1981 to 1982

(Complete this part if the loss on line 23 is more than the loss on line 24)

Section A.—Short-term Capital Loss Carryover

36 Enter loss shown on line 7; if none, enter zero and skip lines 37 through 41—then go to line 42	
37 Enter gain shown on line 18. If that line is blank or shows a loss, enter zero	
38 Reduce any loss on line 36 to the extent of any gain on line 37	
39 Enter amount shown on line 24	
40 Enter smaller of line 38 or 39	
41 Subtract line 40 from line 38. This is your short-term capital loss carryover from 1981 to 1982	

Section B.—Long-term Capital Loss Carryover

42 Subtract line 40 from line 39 (Note: *If you skipped lines 37 through 41, enter amount from line 24*)	
43 Enter loss from line 18; if none, enter zero and skip lines 44 through 47	
44 Enter gain shown on line 7. If that line is blank or shows a loss, enter zero	
45 Reduce any loss on line 43 to the extent of any gain on line 44	
46 Multiply amount on line 42 by 2	
47 Subtract line 46 from line 45. This is your long-term capital loss carryover from 1981 to 1982	

Part VI Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶ ____________

Enter the percentage of valuation of the note or other obligation ▶ ____________

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O—343-061 36-0673140

SCHEDULE D (FORM 1040)
Department of the Treasury
Internal Revenue Service (0)

Capital Gains and Losses

(Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.)

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

OMB No. 1545-0074
1981
14

Name(s) as shown on Form 1040 CAROLE FIELD #2

Your social security number 472 59 6102

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

D

a. Kind of property and description (Example, 100 shares 7% preferred of "Z" Co.)	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis, as adjusted (see instructions page 23)	f. LOSS If column (e) is more than (d) subtract (d) from (e)	g. GAIN If column (d) is more than (e) subtract (e) from (d)
1						
100 SH IBM	2-10-81	10-12-81	4000	4500	500	
100 SH ATT	3-13-81	8-23-81	6000	5200		800

	f. LOSS	g. GAIN
2a Gain from sale or exchange of a principal residence held one year or less, from Form 2119, lines 7 or 11	▨	
b Short-term capital gain from installment sales from Form 6252, line 19 or 27	▨	
3 Enter your share of net short-term gain or (loss) from partnerships and fiduciaries		
4 Add lines 1 through 3 in column f and column g	(500)	800
5 Combine line 4, column f and line 4, column g and enter the net gain or (loss)		300
6 Short-term capital loss carryover from years beginning after 1969		( )
7 Net short-term gain or (loss), combine lines 5 and 6		300

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

a. Kind of property and description	b. Date acquired	c. Date sold	d. Gross sales price less expense of sale	e. Cost or other basis	f. LOSS	g. GAIN
8						
100 SH. AMCO	2-3-74	11-16-81	6000	2500		3500
100 SH. FORD	5-13-72	9-15-81	8000	5000		3000
100 SH. GM	9-14-69	12-9-81	6000	7000	1000	

	f. LOSS	g. GAIN
9a Gain from sale or exchange of a principal residence held more than one year, from Form 2119, lines 7, 11, 16 or 18	▨	
b Long-term capital gain from installment sales from Form 6252, line 19 or 27	▨	
10 Enter your share of net long-term gain or (loss) from partnerships and fiduciaries		
11 Add lines 8 through 10 in column f and column g	(1000)	6500
12 Combine line 11, column f and line 11, column g and enter the net gain or (loss)		5500
13 Capital gain distributions		
14 Enter gain from Form 4797, line 5(a)(1)		
15 Enter your share of net long-term gain from small business corporations (Subchapter S)		
16 Combine lines 12 through 15		5500
17 Long-term capital loss carryover from years beginning after 1969		( )
18 Net long-term gain or (loss), combine lines 16 and 17		5500

Note: *Complete this form on reverse. However, if you have capital loss carryovers from years beginning before 1970, do not complete Parts III or V. See Form 4798 instead.*

For Paperwork Reduction Act Notice, see Form 1040 instructions

Part III Summary of Parts I and II

19 Combine lines 7 and 18, and enter the net gain or (loss) here . . . 5800

NOTE: *If line 19 is a gain complete lines 20 through 22. If line 19 is a loss complete lines 23 and 24.*

20 If line 19 shows a gain, enter the smaller of line 18 or line 19. Enter zero if there is a loss or no entry on line 18 . . . 5500

21 Enter 60% of line 20 . . . 3300

If line 21 is more than zero, you may be liable for the alternative minimum tax. See Form 6251.

22 Subtract line 21 from line 19. Enter here and on Form 1040, line 12 . . . 2500

23 If line 19 shows a loss, enter one of the following amounts:
- (i) If line 7 is zero or a net gain, enter 50% of line 19,
- (ii) If line 18 is zero or a net gain, enter line 19; or,
- (iii) If line 7 and line 18 are net losses, enter amount on line 7 added to 50% of the amount on line 18 . . .

24 Enter here and as a loss on Form 1040, line 12, the smallest of:
- (i) The amount on line 23;
- (ii) $3,000 ($1,500 if married and filing a separate return); or,
- (iii) Taxable income, as adjusted . . .

Part IV Computation of Alternative Tax
(Complete this part if line 20 (or Form 4798, line 8) shows a gain and your tax rate is above 50%. See instructions page 23.)

25 Net short-term gain or (loss) from line 5, from sales or exchanges after June 9, 1981 . . .

26 Net long-term gain or (loss) from line 16, from sales or exchanges after June 9, 1981 . . .

27 If line 26 shows a gain, combine line 25 and line 26. If line 26 or this line shows a loss or zero, enter zero and do not complete rest of this part . . .

28 Enter the smaller of line 26 or line 27 . . .

29 Enter the smaller of line 20 (or Form 4798, line 8) or line 28 . . .

30 Enter your Taxable Income from Form 1040, line 34 . . .

31 Enter 40% of line 29 . . .

32 Subtract line 31 from line 30. If line 31 is more than line 30, enter zero . . .

33 Tax on amount on line 32. ☐ Tax Rate Schedule X, Y, or Z; ☐ Schedule G. (See instructions page 23) . . .

34 Enter 20% of line 29 . . .

35 Add lines 33 and 34. If the result is less than your tax using other methods, enter this amount on Form 1040, line 35 and check Schedule D box . . .

Part V Computation of Post-1969 Capital Loss Carryovers from 1981 to 1982
(Complete this part if the loss on line 23 is more than the loss on line 24)

Section A.—Short-term Capital Loss Carryover

36 Enter loss shown on line 7; if none, enter zero and skip lines 37 through 41—then go to line 42 . . .

37 Enter gain shown on line 18. If that line is blank or shows a loss, enter zero . . .

38 Reduce any loss on line 36 to the extent of any gain on line 37 . . .

39 Enter amount shown on line 24 . . .

40 Enter smaller of line 38 or 39 . . .

41 Subtract line 40 from line 38. This is your short-term capital loss carryover from 1981 to 1982 . . .

Section B.—Long-term Capital Loss Carryover

42 Subtract line 40 from line 39 (Note: *If you skipped lines 37 through 41, enter amount from line 24*) . . .

43 Enter loss from line 18; if none, enter zero and skip lines 44 through 47 . . .

44 Enter gain shown on line 7. If that line is blank or shows a loss, enter zero . . .

45 Reduce any loss on line 43 to the extent of any gain on line 44 . . .

46 Multiply amount on line 42 by 2 . . .

47 Subtract line 46 from line 45. This is your long-term capital loss carryover from 1981 to 1982 . . .

Part VI Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶ ....

Enter the percentage of valuation of the note or other obligation ▶

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SESSION XV
SUPPLEMENTAL GAINS 7 LOSSES
(Sales of Business Assets, Form 4797)

Reading Assignment:	Form 4797 Instructions Publication 334, Ch. 23 Publication 225, Ch. 9, 10
Forms Required for Class Handouts:	Form 4797 (2) Form 4684 (1)

I. Review

A. Review quiz taken in previous session

B. Review assignment not covered in last session

C. Answer all questions students have at this time before going into new material

II. Introduction to New Material

III. Teaching Hints:

A. Vocabulary (Student Workbook)

B. Interview Questions (Student Workbook)

C. 4797 Flow Charts (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Short quiz

Teacher Hint: Provide Form 4797 with quiz if desired.

VII. Resources for teacher:

A. Transparency: Form 4797

B. Publication 549, Condemnations of Private Property

C. Keys to Problems and Quiz

11. INTRODUCTION OF NEW MATERIALS

A. Supplemental gains and losses

When there is a net gain from the sale of depreciable and real property used in a business, all gains and losses are treated as long-term capital assets. When there is a net loss from these sales, all gains and losses are ordinary.

1. Section 1231 property

   Property defined that qualifies for this special tax treatment. (Student Workbook)
   - a. If section 1231 losses exceed 1231 gains, all losses are ordinary losses
   - b. If 1231 gains exceed 1231 losses, then all losses and gains become capital losses and gains.
   - c. Taxpayers advised to take 1231 gains in different tax year from 1231 losses, if possible.

   NOTE: This is one of the most difficult of all I.R.S. sections to understand. Report ALL sales of property used in a trade or business, including rental property on Form 4797. Report any involuntary conversion losses on this form also. Casualties from Form 4684 come forward to Form 4797.

2. Depreciation recapture

   Some or all of the gain attributable to depreciation must be reported as ordinary income.

B. Equipment or machinery (Section 1245 Property).

1. Always use Form 4797 for such sales.

2. If purchased after 1/1/62, ordinary gain to the extent of 100% of all depreciation. If before 1/1/62, portion of ordinary gain will be less than 100% of depreciation. In either case, report in Part III if sold at a gain.

3. Recapture of depreciation on Section 1245 Property (Part III Form 4797)
   - a. Recapture of all depreciation taken after:
     1. 1/1/62: Business equipment, furniture, vehicles, etc.
     2. 7/1/63: Elevators and escalators
     3. 1/1/70: Livestock subject to depreci-

    4. 100% of special depreciation allow for pollution control or trainin facilities.

b. Section 1245 takes precedence over all similiar sections.

c. Real Property Used in a Trade or Business (Section 1250)

    1. Always use Form 4797 for such sales.
    2. Note that for reporting purposes, sale of rental property is included in this category.
    3. If depreciation has been claimed, use Part III to determine the ordinary gain amount. Do not use Part III if asset sold at a loss.
    4. Excess Depreciation, Section 1250 Property (Recapture Part III, Form 4797)
        a) After 1/1/70, all excess depreciation is recaptured as ordinary gain.
        b) If recapture since 1/1/70 is less than gain, then part of 1/1/64-12/31/69 excess depreciation is recaptured, according to formula.

1963	All 3 Types	100% of excess fo the first 20 mont held, 100% less 1% for each month the property held over 20 months.
1969	Com :	All excess depreciation recaptured.
	Res.Ren.:	All excess for the first 100 months; less 1% after held 100 months.
	Low Inc:	Continued as original law - no chng.
1975	Res.Ren.:	All excess depreciation after 1975.
	Low Inc:	Changed to the 100-month rule.
1981	Res.Rntl:	Excess of 15 yr S/L
	Low Inc. Housing:	Same as prior law (100 month-rule)
	Comml:	Recatagorized as Sec. 1245 if ACRS depreciation used. ALL depreciatio recaptured.

Comml & Rental	No recapture if S/L used (same as prior law)

D. Casualty Losses and Involuntary Conversions

1. Property Used in a Trade or Business (Sections 1245 and 1250).
   - a. Report involuntary conversions (other than casualties) in Part I. Report casualty losses on Form 4684.
   - b. Show the "Sale Price" as the insurance and salvage amounts received or receivable.
   - c. If assets are replaced, and insurance proceeds fully reinvested, attach explanation to this effect, and show "0" in Column G.
   - d. If reinvestment exceeds insurance received, add excess to the remaining basis of the destroyed assets to determine basis of new assets.
   - e. If reinvestment is less than insurance received, gain is reported in Part III. The adjusted basis of the replacement assets will equal the sum of the gain reported plus the remaining basis of the destroyed assets.
   - f. If there is no reinvestment, gain will result. The taxable gain will be the excess of the insurance proceeds over the adjusted basis of the destroyed assets.
   - g. If there were no insurance, all losses will be shown in Part I for both equipment and building. "Sale Price" will be "0", or the amount of salvage received or receivable. "Sale Date" will be the date of the casualty. Basis and depreciation will be the actual figures.
   - h. Remember no $100 casualty deduction for business losses.
2. Property NOT used in a trade or business.
   - a. MUST BE reported on Form 4684.
   - b. It is important that large uninsured losses be given special consideration, since there is the possibility of the loss being considered as a "net operating loss".
   - c. Include in computation $100 casualty "floor" deduction.

E. Eminent domain

1. Settlements for taking of real property.
   - a. All such settlements are reportable, either on Form 4797 or Schedule D.

it) may be used up, at election of owner.

c. Any amount received may always be invested in replacement property usually within two years, and the settlement used to reduce the basis of the replacement property. (Condemnations of real, business property - 3 years).

d. If settlements are for "damage" to real property, amounts expended for repairs and replacements, etc., may be offset against the settlement.

2. Settlements for the right to use property.
   a. Permanent easements are considered to be a "sale", and reportable.
   b. Temporary easements, etc., are simply current income.
   c. Payments for moving expenses, relocations, and many other such items are often nontaxable and nonreportable.

F. Use Part II for dispositions (sales or conversions) of equipment or real property held for less than the minimum holding period:

1. 1976 and prior tax years held for less than 6 months.
2. 1977 returns, held for less than nine months.
3. 1978 and future tax years held for less than 12 months.
4. Livestock have special holding periods.
   a. Cattle and Horses - 24 months
   b. Other livestock - 12 months

G. Other miscellaneous transactions NOT reportable on Form 4797

1. Section 1232: Bond Discounts. The earned portion of discounts is currently reportable as ordinary income, usually on Schedule B. Discounts can never be considered as capital gains.
2. Sections 1233-34-36: Short Sales, options, and dealers in securities.
3. Section 1235: Patents.
4. Section 1237: Subdivided real property (with 6th lot sold from original parcel).
5. Section 1241: Cancellations
6. Sections 1242-43-44: Small business investment companies.
7. Sections 1246-47-48-49: Foreign investments.

H. If installment sale requirements are met, Form 6252 flows into Form 4797. Be certain to show the

I. If any portion of the property sold was "personal", be sure to allocate sales price, sale costs, and basis between business and personal. Report the personal portion of these items in Schedule D (or on Form 2119 if it was a principal residence).

QUIZ: Session XV: Supplemental Gains & Losses

Circle the correct answer:

1. T F All rental real property is considered section 1250 property, just as though it were used in a trade or business (held for proper holding period).

2. T F Property not subject to depreciation is never reportable on Form 4797.

3. T F There is no place on Form 4797 for reporting sales of commercial assets held less than 1 year.

4. T F Section 1245 property includes all property subject to investment credit.

5. T F Part III, Form 4797 need not be used if your business equipment was always depreciated by straight-line method.

6. Linda had the following distribution of assets during the year:

	Gain	Loss
Section 1231 Property		
Building	$3,000	
Equipment		($2,000)
Sale of residence (long-term)	$5,000	
Sale of stock (long-term)		($3,000)

a) What is Linda's capital gain or loss?
b) What amount is included in her income?
c) What would be your answer to (a) if the building had been sold at a $3,000 loss?

7. Paul had the following distribution of assets, all held more than one year. The amounts given are after depreciation recapture.

	Gain	Loss
Machinery used in business		($1,000)
Equipment used in business	$2,000	
Casualty loss on residence		($5,000)
Sale of stock	$3,000	

a) What is Paul's capital gain or loss?
b) What is his net ordinary loss?
c) What would be your answer to (b) if the machinery had been sold at a $1,000 gain?

For the following 9 questions, show what portion of Form 4797 you would first report the following transactions: (All he for more than 12 months, unless noted.) Circle proper answer in problem area below question 17.

8. Delivery vehicle sold at a gain.

9. Business lot sold at a loss.

10. Sale of a business building (only) at S/L depreciation sold at a loss.

11. Sale of 20 shares of Sears stock.

12. Sale of apartment house, 125% DB method, sold at a gain.

13. Sale of personal residence at a gain.

14. Sale of business equipment at a loss, held 8 months.

15. Sale of breeding cow, depreciated at 150% DB (held over 24 months) sold at a gain.

16. Fire loss of business building disposed of at a loss.

17. Sale of a raised bull (not depreciable), used for stud (2 1/2 years old).

	Problem	8	9	10	11	12	13	14	15	16	17
a.	Part I	a	a	a	a	a	a	a	a	a	a
b.	Part II	b	b	b	b	b	b	b	b	b	b
c.	Part III	c	c	c	c	c	c	c	c	c	c
d.	Not Form 4797	d	d	d	d	d	d	d	d	d	d

18. T F Section 1245 applies only to excess depreciation taken on equipment.

19. Which of the following is an involuntary conversion?
    a. theft
    b. casualty
    c. condemnation
    d. destruction of livestock by disease
    e. all of the above
    f. f. b and c only

20. Which of the following is a capital asset?
    a. inventory
    b. depreciable business equipment
    c. patent in the hands of the inventor
    d. trade accounts receivable
    e. none of the above

21. Which of the following is not a capital asset?
    a. stock held for investments
    b. personal residence
    c. personal automobile
    d. copyright in the hands of an author
    e. none of the above

22. Generally, a taxpayer must hold an asset over 1 year to realize a long-term capital gain. That rule applies to:
    a. patents in the hands of an inventor
    b. inherited property
    c. commodities in general
    d. inventory
    e. none of the above

23. Jones purchased equipment for $7,000 and after deducting $4,000 a depreciation sold the equipment for $7,400. Jones must recognize a gain of $4,400 broken as follows:
    a. capital gain of $4,400
    b. Section 1231 gain of $4,400
    c. Section 1245 gain of $3,000 and Section 1231 gain of $1,400
    d. none of the above

24. If Jones had sold the equipment for $2,400, he would recognize a loss of $600. That loss would be:
    a. a capital loss
    b. a Section 1245 loss
    c. a Section 1231 loss
    d. a Section 1250 loss
    e. none of the above

KEY TO EXERCISES: Session XV: Supplemental Gains & Losses

1. See attached Form 4797. Inventory proceeds reported on Schedule C. Goodwill proceeds reported on Schedule D.

2.
   a. None ($6,000 reimbursement, less $1,000 basis = $5,000 gain, less $5,500 replacement = No gain.)

   b. $500 ($5,500 cost, less $5,000 gain (non recognized) = $500)

   c. None. (New basis of $500 is less than the $1,000 remaining basis at date of fire.)

   d. Ordinary business income on either Line 1 or Line 4b of Schedule C.

   e. Temporary living expenses not reportable.

3. See Attached Forms 4684 and 4797

4. C

5. $420,000

6. A

KEY TO QUIZ--Session XV--Supplement Gains & Losses

1. T

2. F

3. F

4. T

5. F

6. a. Gain $3,000
   b. $1,200
   c. $2,000

7. a. Gain $3,000
   b. $4,000
   c. $2,000

8. C

9. A

10. A

11. D

12. C

13. D

14. B

15. C

16. B

17. A

18. F

19. E

20. C

21. D

22. E

23. C

24. C

Form **4797**
Department of the Treasury
Internal Revenue Service (0)

Supplemental Schedule of Gains and Losses

(Includes Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions)
To be filed with Form 1040, 1041, 1065, 1120, etc.—See Separate Instructions

OMB No. 1545-0184

1981
31

Name(s) as shown on return: BROWN SITUATION #1
Identifying number:

Part I Sales or Exchanges of Property Used in a Trade or Business, and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (Except for Certain Livestock)

Note: *Use Form 4684 to report involuntary conversions from casualty and theft.*
Caution: *If you sold property on which you claimed the investment credit, you may be liable for recapture of that credit. See Form 4255 for additional information.*

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
1 LAND	8-10-74	7-1-81	30,000		10,000		20,000

	g. LOSS	h. GAIN
2 (a) Gain, if any, from Form 4684, Part II, line 25	▨	
(b) Section 1231 gain from installment sales from Form 6252, line 19 or 27	▨	
3 Gain, if any, from line 26, Part III, on back of this form from other than casualty and theft	▨	19667
4 Add lines 1 through 3 in column g and column h	( )	39667
5 Combine line 4, column g and line 4, column h. Enter gain or (loss) here, and on the appropriate line as follows:		39667

(a) For all except partnership returns:
(1) If line 5 is a gain, enter the gain as a long-term capital gain on Schedule D (Form 1040, 1120, etc.) that is being filed. See instruction E.
(2) If line 5 is zero or a loss, enter that amount on line 6.
(b) For partnership returns: Enter the amount shown on line 5 above, on Schedule K (Form 1065), line 8.

Part II Ordinary Gains and Losses

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
6 Loss, if any, from line 5(a)(2)							▨
7 Gain, if any, from line 25, Part III on back of this form						▨	7198
8 (a) Net gain or (loss) from Form 4684, lines 17 and 24a							
(b) Ordinary gain from installment sales from Form 6252, line 18 or 26						▨	▨
9 Other ordinary gains and losses (include property held 1 year or less):							
10 Add lines 6 through 9 in column g and column h						( )	7198

11 Combine line 10, column g and line 10, column h. Enter gain or (loss) here, and on the appropriate line as follows:	7198
(a) For all except individual returns: Enter the gain or (loss) shown on line 11, on the line provided on the return (Form 1120, etc.) being filed. See instruction F for specific line reference.	▨
(b) For individual returns:	
(1) If the loss on line 6 includes a loss from Form 4684, Part II, column B(ii), enter that part of the loss here and on line 29 of Schedule A (Form 1040). Identify as from "Form 4797, line 11(b)(1)"	
(2) Redetermine the gain or (loss) on line 11, excluding the loss (if any) entered on line 11(b)(1). Enter here and on Form 1040, line 14	7198

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252, 1254, 1255

Skip lines 20 and 21 if there are no dispositions of farm property or farmland, or if this form is filed by a partnership.

12 Description of sections 1245, 1250, 1251, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A) FURNITURE & FIXTURES	1-5-75	7-1-81
(B) DELIVERY TRUCK	2-2-78	7-1-81
(C) BUILDING	8-10-74	7-1-81
(D)		

Part III is continued on page 2.

For Paperwork Reduction Act Notice, see page 1 of seperate instructions.

Relate lines 12(A) through 12(D) to these columns ▶ ▶ ▶	Property (A)	Property (B)	Property (C)	Property (D)
13 Gross sales price minus expense of sale	10,000	6000	34,200	
14 Cost or other basis	8000	10000	20,200	
15 Depreciation (or depletion) allowed (or allowable)	5000	6198	3667	
16 Adjusted basis, subtract line 15 from line 14	3000	3802	16,533	
17 Total gain, subtract line 16 from line 13	7000	2198	17,667	
18 If section 1245 property:				
(a) Depreciation allowed (or allowable) after applicable date (see instructions)	5000	6198		
(b) Enter smaller of line 17 or 18(a)	5000	2198		
19 If section 1250 property: (If straight line depreciation used, enter zero on line 19(i).)				
(a) Additional depreciation after 12/31/75 (see instructions)				
(b) Applicable percentage times the smaller of line 17 or line 19(a) (see instruction G.4)				
(c) Subtract line 19(a) from line 17. If line 17 is not more than line 19(a), skip lines 19(d) through 19(h)				
(d) Additional depreciation after 12/31/69 and before 1/1/76				
(e) Applicable percentage times the smaller of line 19(c) or 19(d) (see instruction G.4)				
(f) Subtract line 19(d) from line 19(c). If line 19(c) is not more than line 19(d), skip lines 19(g) and 19(h)				
(g) Additional depreciation after 12/31/63 and before 1/1/70				
(h) Applicable percentage times the smaller of line 19(f) or 19(g) (see instruction G.4)				
(i) Add lines 19(b), 19(e), and 19(h)			-0-	
20 If section 1251 property:				
(a) If farmland, enter soil, water, and land clearing expenses for current year and the four preceding years				
(b) If farm property other than land, subtract line 18(b) from line 17; if farmland, enter smaller of line 17 or 20(a)				
(c) Excess deductions account (see instruction G.5)				
(d) Enter smaller of line 20(b) or 20(c)				
21 If section 1252 property:				
(a) Soil, water, and land clearing expenses made after 12/31/69				
(b) Amount from line 20(d), if none enter zero				
(c) Subtract line 21(b) from line 21(a). If line 21(b) is more than line 21(a), enter zero				
(d) Line 21(c) times applicable percentage (see instruction G.5)				
(e) Subtract line 21(b) from line 17				
(f) Enter smaller of line 21(d) or 21(e)				
22 If section 1254 property:				
(a) Intangible drilling and development costs deducted after 12/31/75 (see instruction G.6)				
(b) Enter smaller of line 17 or 22(a)				
23 If section 1255 property:				
(a) Applicable percentage of payments excluded from income under section 126 (see instruction G.7)				
(b) Enter the smaller of line 17 or 23(a)				

Summary of Part III Gains (Complete Property columns (A) through (D) through line 23(b) before going to line 24)

24 Total gains for all properties (add columns (A) through (D), line 17)	26865
25 Add columns (A) through (D), lines 18(b), 19(i), 20(d), 21(f), 22(b) and 23(b). Enter here and on Part II, line 7	7198
26 Subtract line 25 from line 24. Enter the portion from casualty and theft on Form 4684, line 19; enter the portion from other than casualty and theft on Form 4797, Part I, line 3	19667

Part IV Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶ ....

Enter the percentage of valuation of the note or other obligation ▶

Form **4797**
Department of the Treasury
Internal Revenue Service (0)

Supplemental Schedule of Gains and Losses

(Includes Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions)
To be filed with Form 1040, 1041, 1065, 1120, etc.—See Separate Instructions

OMB No. 1545-0184
1981
31

Name(s) as shown on return FARMER JONES #3

Identifying number

Part I **Sales or Exchanges of Property Used in a Trade or Business, and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (Except for Certain Livestock)**

Note: *Use Form 4684 to report involuntary conversions from casualty and theft.*
Caution: *If you sold property on which you claimed the investment credit, you may be liable for recapture of that credit. See Form 4255 for additional information.*

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
LAND (10,000 <1000>)	3-1-70	4-1-81	9000		2000		7000

	g. LOSS	h. GAIN
2 (a) Gain, if any, from Form 4684, Part II, line 25	▨	
(b) Section 1231 gain from installment sales from Form 6252, line 19 or 27	▨	
3 Gain, if any, from line 26, Part III, on back of this form from other than casualty and theft	▨	
4 Add lines 1 through 3 in column g and column h	( )	7000
5 Combine line 4, column g and line 4, column h. Enter gain or (loss) here, and on the appropriate line as follows:		7000

(a) For all except partnership returns:
(1) If line 5 is a gain, enter the gain as a long-term capital gain on Schedule D (Form 1040, 1120, etc.) that is being filed. See instruction E.
(2) If line 5 is zero or a loss, enter that amount on line 6.
(b) For partnership returns: Enter the amount shown on line 5 above, on Schedule K (Form 1065), line 8.

Part II **Ordinary Gains and Losses**

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
6 Loss, if any, from line 5(a)(2)							▨
7 Gain, if any, from line 25, Part III on back of this form						▨	3000
8 (a) Net gain or (loss) from Form 4684, lines 17 and 24a						100	
(b) Ordinary gain from installment sales from Form 6252, line 18 or 26						▨	▨
9 Other ordinary gains and losses (include property held 1 year or less):							
10 Add lines 6 through 9 in column g and column h						(100)	3000

11 Combine line 10, column g and line 10, column h. Enter gain or (loss) here, and on the appropriate line as follows: 2900
(a) For all except individual returns: Enter the gain or (loss) shown on line 11, on the line provided on the return (Form 1120, etc.) being filed. See instruction F for specific line reference. ▨
(b) For individual returns:
(1) If the loss on line 6 includes a loss from Form 4684, Part II, column B(ii), enter that part of the loss here and on line 29 of Schedule A (Form 1040). Identify as from "Form 4797, line 11(b)(1)" -0-
(2) Redetermine the gain or (loss) on line 11, excluding the loss (if any) entered on line 11(b)(1). Enter here and on Form 1040, line 14 2900

Part III **Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252, 1254, 1255**

Skip lines 20 and 21 if there are no dispositions of farm property or farmland, or if this form is filed by a partnership.

12 Description of sections 1245, 1250, 1251, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A) TRACTOR	1-10-75	1-10-81
(B)		
(C)		
(D)		

Part III is continued on page 2.

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

Relate lines 12(A) through 12(D) to these columns ▶ ▶ ▶	Property (A)	Property (B)	Property (C)	Property (D)
13 Gross sales price minus expense of sale	7000			
14 Cost or other basis	8000			
15 Depreciation (or depletion) allowed (or allowable)	4000			
16 Adjusted basis, subtract line 15 from line 14	4000			
17 Total gain, subtract line 16 from line 13	3000			
18 If section 1245 property:				
(a) Depreciation allowed (or allowable) after applicable date (see instructions)	4000			
(b) Enter smaller of line 17 or 18(a)	3000			
19 If section 1250 property: (If straight line depreciation used, enter zero on line 19(i).)				
(a) Additional depreciation after 12/31/75 (see instructions)				
(b) Applicable percentage times the smaller of line 17 or line 19(a) (see instruction G.4)				
(c) Subtract line 19(a) from line 17. If line 17 is not more than line 19(a), skip lines 19(d) through 19(h)				
(d) Additional depreciation after 12/31/69 and before 1/1/76				
(e) Applicable percentage times the smaller of line 19(c) or 19(d) (see instruction G.4)				
(f) Subtract line 19(d) from line 19(c). If line 19(c) is not more than line 19(d), skip lines 19(g) and 19(h)				
(g) Additional depreciation after 12/31/63 and before 1/1/70				
(h) Applicable percentage times the smaller of line 19(f) or 19(g) (see instruction G.4)				
(i) Add lines 19(b), 19(e), and 19(h)				
20 If section 1251 property:				
(a) If farmland, enter soil, water, and land clearing expenses for current year and the four preceding years				
(b) If farm property other than land, subtract line 18(b) from line 17; if farmland, enter smaller of line 17 or 20(a)				
(c) Excess deductions account (see instruction G.5)				
(d) Enter smaller of line 20(b) or 20(c)				
21 If section 1252 property:				
(a) Soil, water, and land clearing expenses made after 12/31/69				
(b) Amount from line 20(d), if none enter zero				
(c) Subtract line 21(b) from line 21(a). If line 21(b) is more than line 21(a), enter zero				
(d) Line 21(c) times applicable percentage (see instruction G.5)				
(e) Subtract line 21(b) from line 17				
(f) Enter smaller of line 21(d) or 21(e)				
22 If section 1254 property:				
(a) Intangible drilling and development costs deducted after 12/31/75 (see instruction G.6)				
(b) Enter smaller of line 17 or 22(a)				
23 If section 1256 property:				
(a) Applicable percentage of payments excluded from income under section 126 (see instruction G.7)				
(b) Enter the smaller of line 17 or 23(a)				

Summary of Part III Gains (Complete Property columns (A) through (D) through line 23(b) before going to line 24)

24 Total gains for all properties (add columns (A) through (D), line 17)	3000
25 Add columns (A) through (D), lines 18(b), 19(i), 20(d), 21(f), 22(b) and 23(b). Enter here and on Part II, line 7	3000
26 Subtract line 25 from line 24. Enter the portion from casualty and theft on Form 4684, line 19; enter the portion from other than casualty and theft on Form 4797, Part I, line 3	

Part IV **Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value**

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶ ....

Enter the percentage of valuation of the note or other obligation ▶

SESSION XVI
SALE OF PERSONAL RESIDENCE
INSTALLMENT SALES

Reading Assignment: Publication 17, Ch. 28, 30, review Ch. 14
Publication 225, Ch. 11
Publication 334, Ch. 22

Forms Required for Class Handouts:
Form 2119 (1)
Form 3903 (1)
Schedule D (1)
Form 6252 (1)

I. Review

A. Review quiz taken in previous session

B. Review assignment not covered in last session

C. Answer all questions students have at this time before going into new material

II. Introduction of New Material

III. Teaching Hints

A. Vocabulary (Student Workbook)

B. Interview Questions (Student Workbook)

C. Escrow Statement (Student Workbook)

D. Emphasize vocabulary in this session

IV. Problems for students to work in class or as homework.

V. Reading assignment and homework for following session.

VI. Short quiz

VII. Resources for Teacher:

A. Transparency: 2119, 6252

B. Publications 523, 537

C. Keys to Problems and Quiz

II. INTRODUCTION OF NEW MATERIAL

Be sure to point out inter-relationship between Form 2119 and Moving Expense Form 3903 if an allowable move was made.

A. Sale of Personal Residence (Form 2119)
  1. Gain not recognized (nonrecognition of gain is mandatory).
  2. Principal Residence:
    a. Only one principal residence may be owned at a time.
      1) Summer cabin won't qualify if another residence owned and lived in.
      2) Travel home or houseboat would qualify if the only residence.
    b. Must have some evidence of ownership.
      1) Deed
      2) Contract
      3) Other
    c. Home sold and home acquired must both be principal residences.
  3. Follow line by line instructions on the back of the form.
    a. Line 4: Commissions and other expenses of sale.
      1) Do not include:
        a) Pro-rated taxes and interest (currently deductible on Schedule A).
        b) Utility charges (sewer service,etc)
        c) Balances due on street and sewer assessments.
      2) Add long distance phone calls, mileage for trips to sell, etc.
      3) Deduct amount transferred to moving schedule (The amount on line 7, Form 3903).
      4) Show balance allowable on line 4.
      5) Discuss using real estate commissions, escrow fees, points and similar expenses as moving expenses rather than sale costs.
    b. Line 6: Basis.
      1) Add permanent improvements:
        a) Purchase costs not otherwise deductible on return.
        b) Street and sewer assessment, in full (paid or not).
        c) Construction and reconstruction (remodeling) costs.
      2) Subtract
        a) Prior casualty losses claimed against realty.

        b) Gain deferred or deferable from sa
           of previous principal residence.
      3) Show total on line 6.

4. Amount from line 11, Form 2119, must be shown on Schedule D, even if "O", as "Sale of Principal Residence". Schedule D, line 2a for short-term or line 9a for long-term.
    a. Gain. Show amount of gain in place of "O".
    b. Loss. Show -O- in Column G.
    c. If any portion of the sale was not shown on Form 2119 (i.e., business or rental portion, etc.), use a separate line to report this undeferred portion.
    d. Gain may not be deferred on that portion of the property used for purposes other than principal residence.

5. Old residence

   Fixing up expenses are deducted from the amount realized to determine the adjusted sales price. Gain not recognized is subtracted from basis of new residence.

6. Replacement residence

   Time period for replacement of residence depends on whether the taxpayer is in the Arm Forces or has a tax home abroad.

7. Cost of new home

   The cost of the new residence determines the amount of gain not recognized on the sale of the old residence.

8. How to report

   Special rules apply if the replacement residence is not purchased in the year of sale of the old residence.

9. Exclusion of gain

   Exclusion of $125,000 gain is allowed for persons of age 55 or over who meet certain requirements.

B. Installment Sales (Form 6252)

1. Only gains may be reported by this method

2. In the year of sale Form 6252 must be attached to return showing computation of gross profit

3. In each following year, in which you receive any payments from this installment sale, Form 6252 will compute the amount of taxable income for that year.

4. Each separate sale on this or subsequent return must be reported separately.

5. The installment method is mandatory unless election is made not to treat as such. Election is reported on a timely-filed return (including extensions) even though payments may not have been received in that year.

6. Carry taxable amounts forward to Schedule D (or Form 4797 for business portions).

7. All ordinary income taxable before capital gain portion.
(Section 1245 and 1250)

8. Other deferred-payment sales

   Installment payment sales that don't qualify for reporting under the installment method or the seller chooses not to use the installment method.

C. Unstated interest: Imputed at 10% when the sales contract either makes no provision for payment of interest or provides for a rate of less than 9% a year simple interest.

1. This rule applies only if all three of the following conditions are met:
   a. Sales price under the contract is more than $3,000.
   b. At least one payment is due more than one year after the date of the sale.
   c. Contract provides for less than 9% a year simple interest.

2. Unstated interest rule does not apply in some circumstances. See Pub. 537

3. Special rules and rates for "related" parties

4. Unstated interest is considered to exist in certain installment sale contracts. Both the buyer and seller must treat a portion of installment payments as interest.

QUIZ: Session XVI: Sale of Personal Residence, Installment Sales

Circle the correct answer:

1. T F A loss on the sale or exchange of your personal residence is deductible.

2. T F Fixing up expenses incurred in the sale of your personal residence are not deductible in determining the taxable profit on the sale.

3. T F The election to exclude from gross income gain on the sale or exchange of a principal residence if taxpayer is 55 years of age or older, can only be made once in a lifetime.

4. T F The installment method of reporting income relieves you of the burden of paying tax on income which has not been collected.

5. T F A sale may be treated as an installment sale even though there are no payments in the year of sale.

6. T F The installment method may be used to report a loss on the sale of property.

7. T F The interest received from an installment sale is entered on Schedule D.

8. When determining the non-recognized gain on the sale of a personal residence, the purchase price of a newly constructed residence may not include the cost of:

A. The lot on which the house was built.
B. An attached garage
C. Architect's fee
D. Household furniture
E. All of these are allowable

9. Goldie Green did not include in income any of the $3,000 gain realized on the sale of her residence. She decided one year later not to acquire another home. She should:

A. Report the profit on this year's return
B. File an amended return for the previous year, taking the gain into account.
C. Consider the profit non-taxable
D. Report half of the profit last year and half this year

10. Angus Hereford incurred the following charges f redecorating his personal residence which was sold at gain in March: painting $500; foundation repairs $100; new roof $1,000. All of the charges were incurred and paid within 90 days prior to the sale date. Selling price of the house was $15,000, with the expense of sale $700. Original cost was $10,000. Angus Hereford intends to buy a new residence within twelve months of the sale. What is the adjusted sales price of his old residence for purposes of determining nonrecognized gain?

11. Assuming the facts in #10, what is the non-recognized gain on the sale of Mr. Hereford's residence if the purchase price of the new residence were $14,000?

12. Assuming the facts in #10, what is the non-recognized gain on the sale of Mr. Hereford's residence if the purchase price of the new residence were $13,000?

13. Gail sold her house in May for $70,000. This was three-quarters through the real estate tax year. Gail had already paid the real estate taxes of $800. The buyer paid Gail $30,200 and assumed her mortgage of $40,000. What amount did Gail realize on the sale?

14. T F The recognized gain on the sale of an asset wil be as large or larger than the realized gain.

15. T F A taxpayer selling a personal residence at a gain must recognize the gain unless one of two special rules is applied.

16. T F A taxpayer has 24 months to make a qualified purchase of a new residence for both federal and Oregon law.

17. T F Capital expenditure made prior to the sale of a residence is added to the basis of the residence.

18. T F A mobile home could be a principal residence and, therefore, qualify for the nonrecognition rules applicable to the sale of a residence.

19. T F The deferment of a gain on a personal residence is an election of the taxpayer, he can or need not defer, whichever he prefers.

20. T F A taxpayer who sells a personal residence and plans to replace it, but who has not done so before the end of the taxable year, must report the gain, pay the tax, and then file an amended return when replacement takes place.

21. The amount that must be paid for a new residence by a taxpayer who wishes to avoid recognizing any gain on the sale of the former residence is equal to the:

a. gain realized on the sale of the former residence
b. selling price of the former residence
c. amount realized on the sale of the former residence
d. the adjusted sales price of the former residence
e. none of the above

KEY TO PROBLEMS - Session XVI: Sale of Personal Residence, Installment Sales

1. A. Amount realized; $45,000 - 3,101 = $41,899
   B. Gain realized; $41,899 - 25,000 - 387 - 6,350=$10,162
   C. Adj. sales price; $41,899 - 600 = $41,299
   D. Gain recognized; -0-
   E. Adj. basis new home = $51,532
2. A. Amount realized; $38,000 - 3,101 = $34,899
   B. Gain realized; $34,899 - 25,000 - 387 - 6,350=$3,162
   C. Adj. basis of new home; $61,694 - 3,162 = $58,532
3. A. Amount realized = $41,899
   B. Gain realized = $10,162
   C. Adj. sales price; $41,899 - 1,750 = $40,149
   D. Gain recognized = -0-
   E. Adj. basis of new home = $51,532

4. a. $70,000
   b. Loss ($5,000)
   c. Yes. $11,000 additional compensation.

5. a. $68,000
   b. $1,500
   c. $67,700
   d. $700
   e. $66,200

6. a. $66,500
   b. None
   c. $67,000

7. a. $68,000
   b. $1,500
   c. $66,900
   d. None
   e. $65,500

8. a. 33.33%
   b. $3,333
   c. 16.667%

9. a. (3) Government bonds are treated as cash payments if they are payable on demand.

Situation 1: Forms 2119 and 3903 follow

Situation 2: Form 6252 and Schedule D follow

3. $96,000
4. $95,600
5. $38,000
6. $8,600
7. $57,600
8. none

KEY TO QUIZ: Session XVI: Sale of Personal Residence, Installment Sales

1. F

2. T

3. T

4. T

5. T

6. F

7. F

8. D

9. B

10. $13,700

11. $3,300

12. $2,600

13. $70,000

14. F

15. T

16. F

17. T

18. T

19. F

20. F

21. d

Form **3903**
Department of the Treasury
Internal Revenue Service (0)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040: BASIL + IVI PLANTER #1

Your social security number: 000 11 2222

(a) What is the distance from your former residence to your new job location? 800 miles

(b) What is the distance from your former residence to your former job location? .... miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects 920 + 46 . . . . 1 | 966

800 x 9¢ = 72 + 24 + 30

2 Travel, meals, and lodging expenses in moving from former to new residence . . . . 2 | 126

3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job . . . . . 3 | 292

1680 x 9¢ = 151 + 71 + 70

4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job . . . . 4 | 380

200 + 180

5 Total. Add lines 3 and 4 . . . . 5 | 672

6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year) . . 6 | 672

7 Expenses for: (Check only one box) 4378 (TO 2119 - $2106)

(a) ☒ sale or exchange of your former residence; or,

(b) ☐ if renting, settlement of unexpired lease on your former residence . . 7 | 2272

8 Expenses for: (Check only one box)

(a) ☒ buying a new residence; or,

(b) ☐ if renting, getting a lease on a new residence . . . . 8 | 56

9 Total. Add lines 6, 7, and 8 . . . . 9 | 3000

Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*

10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year) . . . . 10 | 3000

11 Total moving expenses. Add lines 1, 2, and 10 . . . . 11 | 4092

12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2 . . . . 12 |

13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22 . . . . . . 13 | 4092

14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement" . . . . 14 |

General Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Who May Deduct Moving Expenses.—If you moved your residence because of a change in the location of your job, you may be able to deduct your moving expenses. You may qualify for a deduction whether you are self-employed or an employee. But you must meet certain tests of distance and time, explained below. If you need more information, please get Publication 521, Moving Expenses.

Note: If you are a U.S. citizen or resident who moved to a new principal work place outside the United States or its possessions, get Form 3903F, Foreign Moving Expense Adjustment.

(1) *Distance Test.*—Your new job location must be at least 35 miles farther from your former residence than your old job location was. For example, if your former job was 3 miles from your former residence, your new job must be at least 38 miles from that residence. If you did not have an old job location, your new job must be at least 35 miles from your former residence. (The distance between the two points is the shortest of the commonly traveled routes between the points.)

(2) *Time Test.*—If you are an employee, you must work full time for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work for at least 39 weeks during the first 12 months and a total of 78 weeks during the 24 months right after you move.

You may deduct your moving expenses for 1981 even if you have not met the "time" test before your 1981 return is due. You may do this if you expect to meet the 39-week test by the end of 1982 or the 78-week test by the end of 1983. If you have not met the test by then, you will have to do one of the following:

- Amend your 1981 tax return on which you deducted moving expenses. To do this, use Form 1040X, Amended U.S. Individual Income Tax Return.
- Report as income on your tax return for the year you cannot meet the test the amount you deducted on your 1981 return.

(Continued on back)

Form **2119**

Department of the Treasury
Internal Revenue Service (0)

Sale or Exchange of Principal Residence

▶ See instructions on back.

▶ Attach to Form 1040 for year of sale (see instruction C).

OMB No. 1545-0072

1981
24

Note: *Do not include expenses you are deducting as moving expenses.*

Name(s) as shown on Form 1040: BASIL & IVY PLANTER #1

Your social security number: 000 11 2222

		Yes	No
1 (a)	Date former residence sold ▶ 8-24-81		
(b)	Enter the face amount of any mortgage, note (for example second trust), or other financial instrument on which you will receive periodic payments of principal or interest from this sale ▶	▨	▨
(c)	Have you ever postponed any gain on the sale or exchange of a principal residence?	X	
(d)	If you were on active duty in the U.S. Armed Forces or outside of the U.S. after the date of sale of former residence, enter dates. From to	▨	▨
2 (a)	Date you bought new residence. (If none bought, so state). ▶ 9-12-81	▨	▨
(b)	If you constructed new residence, date construction began ▶ date occupied ▶ 9-13-81	▨	▨
(c)	Did you use both the old and new properties as your principal residence?	X	
(d)	Are any rooms in either residence rented out or used for business for which a deduction is allowed? (If "Yes" do not include gain on the rented or business portion in line 7; instead include in income on Form 4797.)		X

Part I Computation of Gain and Adjusted Sales Price

3	Selling price of residence. (Do not include selling price of personal property items.)	3	52500
4	Commissions and other expenses of sale not deducted as moving expenses 3877 + 40 + 75 + 12 + 323 (2272 to 3903)	4	2106
5	Amount realized (subtract line 4 from line 3)	5	50394
6	Basis of residence sold 26162 + 3688 − 2500 — 6: 26350		
7	Gain on sale (subtract line 6 from line 5). (If line 6 is more than line 5, enter zero and do not complete the rest of form.) If you bought another principal residence during the allowed replacement period or you elect the one time exclusion in Part III, continue with this form. Otherwise, enter the gain on Schedule D (Form 1040), line 2a or 9a. — 7: 24044 If you haven't replaced your residence, do you plan to do so within the replacement period? ☐ Yes ☐ No (If "Yes" see instruction C.)		
8	Fixing-up expenses (see instructions for time limitations.)	8	200
9	Adjusted sales price (subtract line 8 from line 5)	9	50194

Part II Computation of Gain to be Postponed and Adjusted Basis of New Residence

10	Cost of new residence	10	59,350
11	Gain taxable this year (Subtract line 10 from line 9. Do not enter more than line 7.) If line 10 is more than line 9, enter zero. Enter any taxable gain on Schedule D (Form 1040), line 2a or 9a. If you were 55 or over on the date of sale, see Part III	11	-0-
12	Gain to be postponed (subtract line 11 from line 7)	12	24044
13	Adjusted basis of new residence (subtract line 12 from line 10)	13	35,706

Part III Computation of Exclusion, Gain to be Reported, and Adjusted Basis of New Residence

		Yes	No
14 (a)	Were you 55 or over on date of sale?		
(b)	Was your spouse 55 or over on date of sale? (If you answered "No" to 14(a) and 14(b), do not complete the rest of form.)		
(c)	If you answered "Yes" to 14(a) or 14(b) did you own and use the property sold as your principal residence for a total of at least 3 years (except for short temporary absences) of the 5-year period before the sale? (If you are 65 or over and 1(a) is before 7/26/81, see instruction D.)		
(d)	If you answered "Yes" to 14(c), do you elect to take the once in a lifetime exclusion of the gain on the sale? (If "Yes," check yes box and complete the rest of Part III. If "No," return to Part II, line 12 above.)		
(e)	At time of sale, was the residence owned by: ☐ you, ☐ your spouse, ☐ both of you?		
(f)	Social security number of spouse, at time of sale, if different from number on Form 1040 ▶ (Enter "none" if you were not married at time of sale.)	▨	▨

15 (a)	If line 1(a) is before 7/21/81, enter the smaller of line 7 or $100,000 ($50,000, if married filing separate return)	15(a)	
(b)	If line 1(a) is after 7/20/81, enter the smaller of line 7 or $125,000 ($62,500, if married filing separate return)	15(b)	
16	Part of gain included (subtract line 15a or 15b from line 7)	16	
17	Cost of new residence. If you did not buy a new principal residence, enter "None." Then enter the gain from line 16 on Schedule D (Form 1040), line 9a, and do not complete the rest of Form 2119	17	
18	Gain taxable this year. (Subtract the sum of lines 15 and 17 from line 9. The result cannot be more than line 16.) If line 17 plus line 15 is more than line 9, enter zero. Enter any taxable gain on Schedule D (Form 1040), line 9a	18	
19	Gain to be postponed (subtract line 18 from line 16)	19	
20	Adjusted basis of new residence (subtract line 19 from line 17)	20	

For Paperwork Reduction Act Notice, see back of form.

Form **6252**

Department of the Treasury
Internal Revenue Service

Computation of Installment Sale Income

▶ See instructions on back. ▶ Attach to your tax return.
Use a separate form for each sale or other disposition of property on the installment method.

OMB No. 1545–0228

1981

Name(s) as shown on tax return: LINCOLN & MERCEDES FORD #2
Identifying number: 222-00-1111

A Kind of property and description ▶ PERSONAL RESIDENCE
B Date acquired (month, day, and year) ▶ 1974
C Date sold (month, day, and year) ▶ 8-24-81
D Was property sold to a related party after May 14, 1980? (See instruction C) ☐ Yes ☒ No
If you checked "Yes," you must complete Part III.

Part I Computation of Gross Profit and Contract Price *(Complete this part for year of sale only.)*

1	Selling price including mortgages and other indebtedness (Do not include interest)		1	52,500
2	Mortgages and other indebtedness purchaser assumes or takes property subject to (see instructions)	2 -0-		
3	Subtract line 2 from line 1	3 52,500		
4	Cost or other basis of property sold	4 26,350		
5	Depreciation allowed or allowable	5 -0-		
6	Adjusted basis (subtract line 5 from line 4)	6 26,350		
7	Commissions and other expenses of sale	7 4378		
8	Add line 6 and line 7		8	30728
9	Gross profit (subtract line 3 from line 1). If result is zero or less, do not complete rest of form		9	21,772
10	Subtract line 8 from line 2. If line 8 is more than line 2, enter zero		10	-0-
11	Contract price (add line 3 and line 10)		11	52,500

Part II Computation of Taxable Part of Installment Sale
(Complete this part for year of sale and any year a payment is received.)

12	Gross profit ratio (divide line 9 by line 11) (for years after the year of sale, see instructions)		12	41.47
13	For year of sale only—enter amount from line 10 above; otherwise enter zero		13	-0-
14	Payments received during year		14	12851
15	Add lines 13 and 14		15	12,851
16	Payments received in prior years	16 -0-		
17	Taxable part of installment sale (multiply line 15 by line 12)		17	5329
18	Part of line 17 that is ordinary income under recapture rules (see instructions)		18	
19	Subtract line 18 from line 17. Enter on Schedule D or Form 4797 (see instructions)		19	5329

Part III Information and Computation for Related Party Installment Sale
(Complete this part only if you answered "Yes" to question D and did not receive the final installment payment in 1981.)

E Name, address, and taxpayer identifying number of related party

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Schedule D (Form 1040) 1981 Page 2

Part III Summary of Parts I and II

19	Combine lines 7 and 18, and enter the net gain or (loss) here *NOTE: If line 19 is a gain complete lines 20 through 22. If line 19 is a loss complete lines 23 and 24.*		5329
20	If line 19 shows a gain, enter the smaller of line 18 or line 19. Enter zero if there is a loss or no entry on line 18	5329	
21	Enter 60% of line 20 *If line 21 is more than zero, you may be liable for the alternative minimum tax. See Form 6251.*		3197
22	Subtract line 21 from line 19. Enter here and on Form 1040, line 12		2132
23	If line 19 shows a loss, enter one of the following amounts: (i) If line 7 is zero or a net gain, enter 50% of line 19, (ii) If line 18 is zero or a net gain, enter line 19; or, (iii) If line 7 and line 18 are net losses, enter amount on line 7 added to 50% of the amount on line 18		
24	Enter here and as a loss on Form 1040, line 12, the smallest of: (i) The amount on line 23; (ii) $3,000 ($1,500 if married and filing a separate return); or, (iii) Taxable income, as adjusted		

Part IV Computation of Alternative Tax
(Complete this part if line 20 (or Form 4798, line 8) shows a gain and your tax rate is above 50%. See instructions page 23.)

SCHEDULE D
(FORM 1040)
Department of the Treasury
Internal Revenue Service (0)

Capital Gains and Losses

(Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.)

▶ Attach to Form 1040. ▶ See instructions for Schedule D (Form 1040).

OMB No. 1545-0074
1981
14

Name(s) as shown on Form 1040: LINCOLN & MERCEDES FORD #2

Your social security number: 222 | 00 | 1111

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

D

a. Kind of property and description (Example, 100 shares 7% preferred of "Z" Co.)	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis, as adjusted (see instructions page 23)	f. LOSS If column (e) is more than (d) subtract (d) from (e)	g. GAIN If column (d) is more than (e) subtract (e) from (d)
1						

	f. LOSS	g. GAIN
2a Gain from sale or exchange of a principal residence held one year or less, from Form 2119, lines 7 or 11	▨	
b Short-term capital gain from installment sales from Form 6252, line 19 or 27	▨	
3 Enter your share of net short-term gain or (loss) from partnerships and fiduciaries		
4 Add lines 1 through 3 in column f and column g	( )	
5 Combine line 4, column f and line 4, column g and enter the net gain or (loss)		
6 Short-term capital loss carryover from years beginning after 1969		( )
7 Net short-term gain or (loss), combine lines 5 and 6		

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

8						

	f. LOSS	g. GAIN
9a Gain from sale or exchange of a principal residence held more than one year, from Form 2119, lines 7, 11, 16 or 18	▨	
b Long-term capital gain from installment sales from Form 6252, line 19 or 27	▨	5329
10 Enter your share of net long-term gain or (loss) from partnerships and fiduciaries		
11 Add lines 8 through 10 in column f and column g	( )	5329
12 Combine line 11, column f and line 11, column g and enter the net gain or (loss)		5329
13 Capital gain distributions		
14 Enter gain from Form 4797, line 5(a)(1)		
15 Enter your share of net long-term gain from small business corporations (Subchapter S)		
16 Combine lines 12 through 15		5329
17 Long-term capital loss carryover from years beginning after 1969		( )
18 Net long-term gain or (loss), combine lines 16 and 17		5329

Note: *Complete this form on reverse. However, if you have capital loss carryovers from years beginning before 1970, do not complete Parts III or V. See Form 4798 instead.*

For Paperwork Reduction Act Notice, see Form 1040 instructions

SESSION XVII
OTHER TAXES AND PAYMENTS, MISCELLANEOUS

Reading Assignment: Publication 17, Ch. 4,5, Review Ch. 1 and 36
IRS Instruction Pamphlets and Oregon Instruction Pamphlets
Publication 225, Ch. 13
Publication 334, Ch. 34
Balance of 1040 Pamphlet

Forms Required for Class Handouts: Form 2210 (3)

I. Review
   - A. Review quiz taken in previous session
   - B. Review assignment not covered in last session
   - C. Answer all questions students have at this time before going into new material.

II. Introduction of New Material
   - A. 1040-ES
   - B. 2210, 10
   - C. Earned Inc. Credit
   - D. Excess FICA
   - E. Extensions
   - F. Penalties and Int.
   - G. Amended Returns (1040X, 40X, 1045)
   - H. Minimum Tax
   - I. Alternative Minimum Tax
   - J. Lump sum Distribution 10-year averaging
   - K. Tax on Tips
   - L. Decedent

III. Teaching Hints
   - A. Vocabulary (Student Workbook)
   - B. Interview Questions (Student Workbook)

IV. Problems for students to work in class or as homework

V. Reading assignment and homework for following session

VI. Short quiz

VII. Resources for Teacher:
   - A. Publication 590, Publication 559, Publication 505, 531; IRS Forms 4070, 4070A, W-2 and Form 941
   - B. Keys to Problems and Quiz
   - C. Transparencies: Form 2210, 1040-ES, 1040X, 40X, Oregon "M"

II. INTRODUCTION OF NEW MATERIAL

A. 1040-ES (Declaration of Estimated Tax):

1. Who must file? Outlines in 1040-ES instructions. Different gross levels for different filing statuses. Also use chart from Publication 505. 1040-ES is mandatory of the taxpayer. It is not an election. The tax preparer should prepare Form 1040-ES and give to taxpayer.
2. Calculation of estimate:
   a. Estimate income and excess itemized deductions, exemptions, to arrive at taxable income.
   b. Compute income tax liability:
      1) Including self-employment tax.
      2) Not including minimum tax or alternative minimum tax.
      3) But including taxes from Forms 4970, 4972, 5544.
   c. Subtract the estimated withholding and other credits.
   d. If amount exceeds $100, estimate must be prepared. (1982 federal estimate minimum $200, Oregon still $100.)
   e. Keep worksheets for future reference.
3. Dates of filing:
   a. 4/15 (3 months, ending 3/31)
   b. 6/15 (5 months, ending 5/31)
   c. 9/15 (8 months, ending 8/30)
   d. 1/15 (12 months, ending 12/31)
      1) If taxpayer files and pays total tax due by 1/31 (not farmer/fisherman) it takes the place of the 1/15 estimate payment only, not the full year.
4. Farmers and Fishermen:
   a. Definition of farmers and fishermen (2/3 of gross income; but not "farm employee")
   b. Prior year 2/3 will qualify of total income on joint return.
   c. 1/15: lump sum estimate and pay all; or
   d. 3/1: file 1040 and pay all tax due.
5. Question 8 of homework, how to split joint estimate to separate returns if taxpayers cannot agree on equitable split, IRS will use % formula.

Joint estimate paid $3,000
Husband's tax = $4,000
Wife's tax = $2,000
Total joint tax = $6,000

$4,000 = 2/3 x $3,000; or $2,000 des/hsbnd

6. Refer to Publication 17 1/2 for Oregon requirements.

B. Form 2210 (Underpayment of Estimated Tax Penalty): Teacher should refer to Publication 505 for lecture help. (Follow form line by line as sections have different time periods.)

1. Form 2210 required if any estimate was not paid when due, or if quarterly payment was underpaid.
2. 80% of tax must be paid, and must be paid timely (by quarters) or Form 2210 will be required.
3. If penalty is due, fill out proper sections of form to determine penalty.
4. Amount of penalty is shown on 1040 and box must be checked if Form 2210 is attached to the tax return
5. 2210 penalty is NOT added to "Balance Due". Total Tax Due should be shown in bottom margin.
6. 2210 penalty is computed only to 4/15.
7. No penalties are deductible, 2210 included. (Oregon: penalty treated as interest paid and deductible on Schedule A when paid.)
8. Exception
   There are four different exceptions to avoid penalty. The same exception may be used fo all quarters, or different exceptions may used for each installment period, and each period should be calculated separately.
   a. Prior year's tax: Exception 1:
      Most common exception used. When preparing 1040-ES always make for more than tax shown on current return so that in following year, exception 1 will apply. NOTE: Exception 1 will not be allowed by IRS if there was no tax liability in the preceding year.
   b. Tax on prior year's income using current year's rates and exemptions: Exception 2:
      Recompute prior year's tax using current year's rates. Will work if exemptions are increased or current year's rates are less, such as 1982 over 1981. May be used if last year's tax was -0-. However, there must have been a filing requirement.
   c. Annualized income: Exception 3:
      Income and deductions are annualized over the 3-month, 5-month, 8-month, and 12-month periods. Use if large portion of income occured later in the year (exception 4 is easier to use). 80% of tax paid each period.
   d. Actual tax on 3,5,8, and 12-month periods

covering these periods. This exception will work well taking into consideration that line 12 of the form is divided into four equal amounts and this exception covers, 3, 5, 8 months rather than 3, 6, 9. Also to be used for high income in certain quarters such as a sale. Taxes computed using only actual income to date but Tax Table for the entire year. (ZBA (or Oregon Standard Deduction) and exemptions, annual amount.)

9. Calculations
Exceptions 1 and 4 are computed directly on Form 2210. The other 2 exceptions must have calculations prepared and attached to the return.

10. Practitioners will not be fined for omission of a Form 2210. However, many practitioners are of the opinion that when a Form 2210 is required for the proper completion of a tax return, a licensed Oregon practitioner should prepare this form. Other practitioners disagree. ALWAYS prepare if an exception qualifies.

Teacher Hints:

a. Worksheet for exceptions 3 and 4, and reciprocal chart for easy reference are in Student Workbook.
b. Wage income, interest, dividends, rentals, etc. and withholding may be calculated in two different ways; either divide the item by 12 and multiply by 3, 5, and 8 months, or record them according to the date they actually occured.
c. Have students work 2210 and 10 for previous returns worked. Example: Brown, Session 8.
d. With exceptions 3 and 4, be certain to allow for credits; e.g., investment credit, new jobs credit.
e. Payment with Form 4868, extension for filing (or a 1/15 estimate), may result in an overpayment and refund due. Form 2210 may still be applicable.
f. Notice lines 13 and 18 are not identical (line 18 is accumulated).

11. Oregon Underpayment (18%) follows all federal exception rules.

12. Two formulas (examples) follow. Note li 13 is an even division of line 12 dependi on how many payments were required. Line 18 is the amount credited to payment dates (4/15, 6/15, etc.)

C. Earned income credit

Discuss the purpose Congress intended for the credit.

1. Amount of credit

   a. 10% of up to first $5,000 of earned income, maximum credit--$500,
   b. Decreased by 12.5% of the excess of adjusted gross income (or earned income, if greater) over $6,000.

Remind the students that the formula stated is for information purposes only. The earned income credit is figured by using the Earned Income Credit Worksheet and the Earned Income Credit Table.

2. Definition of earned income

3. Eligibility requirements

4. Limitations:

   a. Earned income (use of SE schedule)
   b. Qualifying individuals
   c. Filing status (Married/separate)
5. Effect on Oregon federal tax subtraction.

6. Advance payments

   a. Point out that the advance payments will be reflected on the employee's Form W-2 as a separate amount. If the advance payments received exceed the actual amount of the credit, the employee is liable for the excess.
   b. Advance EIC payments make automatic "filing requirement".

7. EIC worksheet in Student Workbook.

D. Excess FICA and RRTA tax withheld
1. 2 or more employers
2. one employer

E. Extensions

1. Form 4868, Automatic 2-month extension

   a. Original must be filed on or before the due date with IRS Service Centers.
   b. Should be signed by the taxpayers, may be signed by others.
   c. Accepted by State of Oregon, no filing with Oregon necessary.
   d. IRS does not acknowledge receipt of original.
   e. Signed copies must be attached to face of completed returns: Form 1040, Form 40, taxpayer's copy, practitioner's copy.
   f. 90% of the tax due MUST be filed with extension request. If 90% not paid IRS can render extension invalid.
   g. Use this form for initial extension request, Form 2688 for additional extensions.

2. Form 2688, Additional Extension

   a. Request specific period of time for extension (IRS will not approve more than six months from due date of return).
   b. Include adequate and specific reasons for request.
   c. IRS will acknowledge approval or denial
   d. Extension request should be filed with IRS in duplicate. Copies should be made of original returned from IRS with approval or denial stamp. These copies should then be attached to the face of Form 1040, Form 40, taxpayer's copy and practitioner's copy.
   e. If request is denied, IRS usually allows a ten-day grace period and return should be completed as soon as possible. Ten-day grace is not always allowed, however.

3. If extension needed for Oregon only, write ODR giving reasons before due date. ORD will approve or deny. In no case will Oregon allow extension beyone 6 months.

F. Penalties
1. Federal
   a. Failure to file penalty: 5% per month;

b. Failure to pay penalty: 1/2% per month; 25% maximum.

(Penalties cannot exceed more than 5% in any one month. In the same month that both these penalties are in effect, the failure to file penalty is reduced to 4-1/2%)

Interest is also charged. Current rate is 20% per annum, effective 2/1/81.

2. Oregon:

5% -0/3 months--Failure to file or failure to pay tax or any installment due.
20% -over 3 months--Failure to file only. Maximum 25% including above.
Interest: 1% per month on unpaid balance until 6/1/82.

3. Penalties can be abated for cause, interest cannot. Original penalties and interest hold, even if tax is later changed or eliminated. (including 2210 penalty)

G. Amended Returns (Forms 1040X, 1045 and 40X)

1. Federal:

a. 3 open years--when to file:
   1) However, for carryback or NOL, investment credit, etc. must be filed before the 15th day of the 40th month following the close of the year of the NOL or unused credit.
   2) Form 1045 can be used for NOL items & credits if filed before 12/31 of the tax year creating the carryback.

b. 2210 penalties are not adjustable when filing 1040X. Original penalties hold.

2. Oregon:

a. Part-year or NR cannot use the Oregon Form 40X. They must file corrected returns and mark it "corrected".

b. Taxpayer required to file amended 40X within 90 days if IRS increased income $250 or more. Generally will owe tax to Oregon as well. However, if an Oregon refund is due, taxpayer must file 40X within 3 years of due date or one year after IRS report is final.

not file within 90 days, the period for assessing a deficiency is extended.)

    c. Federal tax deduction does not change on 40X from original filing. New tax per 1040X does not appear on 40X. Cash basis taxpayers show additional federal tax paid or refund from federal amended returns on Oregon return in year paid or received.
        1) Additional federal tax paid (amended) is Oregon subtraction on separate line from current year federal tax paid subtraction. Combination of both items may not exceed $7,000 limitation.

3. Cannot amend married filing joint to married filing separate after due date of return. Can change to married joint if from married separate within the 3-year open year rule.

H. Minimum Tax (Form 4625)(Oregon--Schedule M)

1. Federal minimum tax will be due if the taxpayer has over $10,000 in tax preference items.
2. Oregon minimum tax will be due if there are:
    a. $3,000 in two specific preference items and AGI and these preference items together total $20,000; or
    b. Total tax preference items are more than $10,000 regardless of AGI. (Refer to Schedule M)
3. Reading down a Form 4625 and Oregon Schedule M, familiarize the students with preference items and work one quick example of each.
    a. Capital gain deduction on sale of personal residence not included for sales after 7/26/78.
    b. Residence and farm lived in for 5 years are exempt from Oregon minimum tax.
    c. Adjusted itemized deductions (use back of Schedule M for example)

I. Alternative Minimum Tax (Form 6251)

1. Tax preference items.
    a. Excess itemized deductions
    b. Capital gains deduction
2. Review Form 6251 line by line

J. 10-year averaging (Lump Sum Distribution) - Form 4972

Form 4972 is used to reduce taxes on total distribution from a qualified retirement plan.

1. Demonstrate one quick sample, including the ordinary and capital gain adjustment necessary on the Oregon return.
2. Students should always try treating the entire distribution as ordinary income. It is generally to the taxpayer's advantage to do so.

K. Tax on Tips (Form 4137):

1. All tips are taxable income.
2. How to handle when less than $20 in one month.
3. How to handle when more than $20 in one month; must be reported to employer by the 10th day, following month.
4. Records and Reports:
   Form 4070--Employee's Report of Tips to Employer
   Form 4070A--Employee's Daily Record of tips
   Form 4137--Computation of Social Security Tax on Unreported Tip Income
   W-2--Wage and Tax Statement
5. Penalty for failure to report tips to employer.

   50% of tax

   Note: IRS to institute program for review of tip reporting. (IRS Code Sections 6053, 3402, 3101, 3102)
6. Differentiate between lines 51a and 51b.
   a. Social security tax on unreported tip income
   b. Uncollected employee social security tax on tips

      Point out that even if a taxpayer did not have enough income to be required to file a tax return, the employee must file a return and pay any uncollected social security tax on tips.

L. Decedents

1. Forms 1310 and Oregon Form 150-101-032 (Form 243) should be filed with tax returns in order for refunds to be issued to spouse alone or other recipient rather than in name of deceased. Forms not required if tax to pay.
2. Special handling for decedent income to date of death if estate has been created for income after death.
3. Property tax refund cannot be filed for deceased person. If joint return filed in year of death, Oregon Form 70R should be in name of living spouse only.

QUIZ: Session XVII: Other Taxes and Payments, Miscellaneous

1. A taxpayer cannot file a return on time:

   A. Taxpayer can write the IRS and taxpayer will get an automatic extension.
   B. Taxpayer can send in the proper form and IRS will grant taxpayer an extension.
   C. Taxpayer must send in the application before the return is due and also send along any tax due for the unfiled return.

2. An amended return must usually be filed within:

   A. 5 years
   B. 3 years
   C. 7 years
   D. 4 years

3. Bob is single and is allowed one exemption. In 1982 he expects to earn $12,000 self-employment income and to receive $300 of interest. Does he have to pay estimated taxes?

4. What is the failure to file penalty?_____Maximum_____
   What is the failure to pay penalty?______Maximum_____

5. Tom Powers (not a farmer) reports his income on the calendar year basis. After September 1, he first meets the requirements for filing a declaration of estimated tax. Must he file an estimate?

   YES or NO Does he have an alternative?

6. Bill and his wife Jan have a dependent child living with them in Kentucky. Bill earned $8,500 in 1981. Jan did not work. This was their only income. Bill and Jan will file a joint return. Are they allowed an earned income credit?

7. The taxpayer finds that, through an error, the allowable depreciation on a machine was not taken last year. The unclaimed depreciation:

   A. May be deducted in the current year or any later tax year.
   B. Must be added back to the basis of the asset.
   C. Is lost.
   D. May be deducted by filing amended returns for open years.
   E. All of the above.
   F. None of the above.

8. If a refund is due on a decedent's tax return, al required to be filed with a federal tax return is For

A. 2210
B. 1310
C. 4797
D. 2555

9. Jim Jackson, a calendar year taxpayer, filed his 1981 return on November 15, 1982. He did not get an extension to file and did not have a good reason for filing late. His Form 1040 showed he was due a refund of $287. Figure his penalties and interest, if any.

10. T F Tips not required to be reported to your employer need not be included in your gross income.

11. T F A taxpayer filed a separate return. T/P can, within three years, reconsider and file a joint return if all tests are met.

12. T F Interest paid to the Internal Revenue Service on payment of taxes would be an allowable itemized deduction.

13. T F IRS will assess interest at the rate of 20% per year on taxes that are not paid on or befo their due date, even though an extension of ti for filing is granted.

14. T F You must report your tips to your employer every 90 days.

15. T F Oregon does not require estimated taxes, but will accept volunteer payments at local tax offices.

16. T F A farmer or fisherman who expects to receive at least two-thirds of his gross income for the calendar year from farming or fishing may elect to wait until January 15 to file his declaration of estimated tax.

17. T F A taxpayer who has at least 2/3 of total income from farming or fishing does not need to file an estimate if the return is filed and tax paid by March 15.

18. T F A penalty for underpayment of estimated tax can be eliminated on Form 2210 if the estimated tax paid equals or exceeds the tax liability of the previous year.

19. T F Tips in any medium other than cash are not considered wages for withholding purposes, regardless of their value.

20. T F If the total cash tips received by an employee in any calendar month from one employer are more than $20, the tips for such months are considered wages subject to withholding.

21. T F There is employer's social security tax on tips.

22. T F Tip income received by an employee are wages subject to withholding and must be reported to the IRS on Form W-2 only if the total amount of wages and tips received by the employee is $600 or more in a year.

23. T F An individual who had income from tips on which there was uncollected social security tax must file a return and pay the uncollected tax with the return, regardless of the amount of his income.

24. T F The employer's withholding responsibilities depend on the employees complying with their reporting responsibilities.

25. If an employee received $40 in cash tips in March and reports this to the employer in early April, are the tips to be reported as wages in March or April?

26. An employee received $80 in tips during March and reports $50 in March and $30 in April. When does the employer report the amounts in wages?

27. Last year's tax was $2,250. This year's tax is $2,660. Total withholding is $2,108. Is Form 2210 required?

28. In the above circumstances, would Exception 1 be of any help to the taxpayer?

29. You do not qualify for earned income credit if your AGI exceeds:

A. $4,000
B. 6,000
C. 8,000
D. 10,000

30. To qualify for earned income credit you must maintain a residence for you and:

A. your child
B. your spouse
C. your parents
D. a dependent

31. T F The earned income credit is a negative tax.

32. T F A married individual must file a joint return to receive the benefits of the earned income credit.

33. T F Oregon underpayment of estimate penalty is computed at 18% and is deductible as interest.

34. Mary Farmer, a calendar year taxpayer, filed her 1981 return on April 12, 1982. Of the $406 balance due, Mary paid only $106 with her return. On June 2, 1982 she paid the remaining $300.

Does she have:
a) A failure-to-file penalty? If so, how much?
b) A failure-to-pay penalty? If so, how much?

35. Dale Walker filed his 1978 Form 1040A on time and got a refund. In September 1980, he learned that, had he filed Form 1040 and itemized deductions, he could have deducted a $4,500 casualty loss for the total loss of his car in February 1978. How long does Dale have to file an amended return to get an additional refund for his casualty loss?

36. The minimum tax rate is:

a. 10%
b. 15%
c. 5%
d. 20%

37. The specific minimum tax exemption for an individual is the greater of one-half the regular tax or:

a. $10,000
b. 5,000
c. 15,000
d. 20,000

38. The specific tax exemption on the alternative minimum tax is:

a. $20,000
b. 10,000
c. 30,000
d. 40,000

39. Taxpayer first determined on August 7 that he would be required to file an estimated tax declaration.

a) By what date should he file his estimate?
b) On what dates should he pay his estimated tax?
c) What portion of his estimated tax should he pay o each date.

40. a) In 1981 Bob Green paid $900 to GRace, his former wife, for child support. Under the terms of the divorce decree, Bob claims an exemption for his 12-year-old daughter, Judy. Judy lived with Grace all year. Bob's only income in 1981 was wages of $8,000. Can Bob claim the earned income credit?

b) Grace had wages of $5,000 in 1981. She maintained a home for herself and Judy all year. She files as head of household for her 1981 return. Can she claim the credit?

KEY TO EXERCISES: Session XVII

1. yes, if est. tax is $100 or more

2. yes, if est. tax is $100 or more

3. yes

4. no

5. no

6. no

7. pay in $1,400, less what was already withheld

8. 2/3 H; 1/3 W

9. see attached Form 2210

10. 60% long term capital gain deductions and excess (adjusted) itemized deduction. Alternative minimum tax applies if AMT is greater than the regular tax liability plus the regular minimum tax.

11. Form 2210 follows

12. Completed Form 2210 follows. Exception #4 does not apply.

13. First 3 months = $500 ($250 + $250 - 3 mo. of each)
First 5 months = 5/12 x 1000 = 417 + 250 bank = 667
First 8 months = 8/12 x 1000 = 667 + 500 bank = 1167

14.
   - a. yes
   - b. yes
   - c. no
   - d. yes

15.
   - a. yes
   - b.
     1. Each installment is $100
     2. 4/15
     3. 4/15, 6/15, 9/15, 1/15

16. There is no penalty since their withholding exceeds 80% of their tax.

17.
   - a. $491
   - b. no

18.
   - a. $58.19. He completes and attaches Form 4137
   - b. yes

Form **2210**
Department of the Treasury
Internal Revenue Service (0)

Underpayment of Estimated Tax by Individuals

▶ Attach to Form 1040. ▶ See instructions on back.

OMB No. 1545-0140

1981

Name(s) as shown on Form 1040 #11 EXAMPLE 1

Social security number

Part I **How to Figure Your Underpayment (Complete lines 1 through 17)**

If you meet any of the exceptions to the underpayment penalty for ALL four periods, skip lines 1 through 17 and go directly to line 18.

1 1981 tax (from Form 1040, line 54)			1	1000
2 Earned income credit (from Form 1040, line 57)	2			
3 Tax credit for special fuels and oils (from Form 1040, line 60)	3			
4 Royalty owner's credit (from Form 6249, Part 1, line 3 or Form 6249–A, line 3)	4			
5 Minimum tax (from Form 1040, line 49a)	5			
6 Alternative minimum tax (from Form 1040, line 49b)	6			
7 Social security (FICA) tax on unreported tip income (from Form 1040, line 51a)	7			
8 Uncollected employee FICA and RRTA tax on tips (from Form 1040, line 51b)	8			
9 Tax on an IRA (from Form 5329, Part I or III included on Form 1040, line 52)	9			
10 Total (add lines 2 through 9)			10	
11 Balance (subtract line 10 from line 1)			11	1000
12 Enter 80% of the amount shown on line 11			12	800

		Payment Due Dates			
		(a) Apr. 15, 1981	(b) June 15, 1981	(c) Sept. 15, 1981	(d) Jan. 15, 1982
13 Divide amount on line 12 by the number of payments required for the year (usually four). Enter the result in appropriate columns	13	200	200	200	200
14 Estimated tax paid and tax withheld (see instructions)	14	100	100	100	100
15 Overpayment (on line 17) from previous period	15	▨			
16 Total (add lines 14 and 15)	16	100	100	100	10
17 Underpayment (subtract line 16 from line 13) OR Overpayment (subtract line 13 from line 16)	17	100	100	100	100
Part II **Exceptions to the Penalty** (Farmers and fishermen, see Instruction A for special exception)					
18 Total amount paid and withheld from January 1 through the payment due date shown	18	100	200	300	400
19 Exception 1.—1980 tax (see instructions) ▶ $ 600	19	25% of 1980 tax:	50% of 1980 tax:	75% of 1980 tax:	100% of 1980 tax:
20 Exception 2.—Tax on 1980 income using 1981 rates and exemptions (attach computation)	20	Enter 25% of tax:	Enter 50% of tax:	Enter 75% of tax:	Enter 100% of tax:
21 Exception 3.—Tax on annualized 1981 income (attach computation)	21	Enter 20% of tax:	Enter 40% of tax:	Enter 60% of tax:	Exceptions Not Applicable
22 Exception 4.—Tax on 1981 income over 3-, 5-, and 8-month periods (see worksheet on back)	22	Enter 90% of tax:	Enter 90% of tax:	Enter 90% of tax:	
Part III **How to Figure the Penalty** (Complete lines 23 through 27 if none of the exceptions in Part II apply.)					
23 Amount of underpayment (from line 17)	23	100	100	100	100
24 Date you made payment or April 15, 1982, whichever is earlier	24	4/15/82	4/15/82	4/15/82	4/15/82
25 (a) Number of days after due date of payment to and including date of payment or January 31, 1982 whichever is earlier	25a	291	230	138	16
(b) Number of days from and including February 1, 1982 to and including date of payment or April 15, 1982 whichever is earlier	25b	74	74	74	74
26 (a) $\frac{\text{Number of days on line 25a}}{365}$ × 12% × amount on line 23	26a	9.57	7.56	4.54	.53
(b) $\frac{\text{Number of days on line 25b}}{365}$ × 20% × amount on line 23	26b	4.06	4.06	4.06	4.

27 Penalty (add amounts on lines 26(a) and (b)). Check the box below line 66 on Form 1040 and show this amount in the space provided. If you owe tax, add the penalty amount to the tax due and show the total on line 66. If you are due a refund, subtract the penalty amount from the overpayment you show on line 63	27	38.44

For Paperwork Reduction Act Notice, see back of form.

Form **2210** (1981)

Form **2210**
Department of the Treasury
Internal Revenue Service (0)

Underpayment of Estimated Tax by Individuals

▶ Attach to Form 1040. ▶ See instructions on back.

OMB No. 1545-0140

1981

Name(s) as shown on Form 1040: #11 EXAMPLE 2

Social security number:

Part I How to Figure Your Underpayment (Complete lines 1 through 17)

If you meet any of the exceptions to the underpayment penalty for ALL four periods, skip lines 1 through 17 and go directly to line 18.

1 1981 tax (from Form 1040, line 54)	1	1000
2 Earned income credit (from Form 1040, line 57)	2	
3 Tax credit for special fuels and oils (from Form 1040, line 60)	3	
4 Royalty owner's credit (from Form 6249, Part 1, line 3 or Form 6249–A, line 3)	4	
5 Minimum tax (from Form 1040, line 49a)	5	
6 Alternative minimum tax (from Form 1040, line 49b)	6	
7 Social security (FICA) tax on unreported tip income (from Form 1040, line 51a)	7	
8 Uncollected employee FICA and RRTA tax on tips (from Form 1040, line 51b)	8	
9 Tax on an IRA (from Form 5329, Part I or III included on Form 1040, line 52)	9	
10 Total (add lines 2 through 9)	10	
11 Balance (subtract line 10 from line 1)	11	1000
12 Enter 80% of the amount shown on line 11	12	800

		Payment Due Dates			
		(a) Apr. 15, 1981	(b) June 15, 1981	(c) Sept. 15, 1981	(d) Jan. 15, 1982
13 Divide amount on line 12 by the number of payments required for the year (usually four). Enter the result in appropriate columns	13	200	200	200	200
14 Estimated tax paid and tax withheld (see instructions)	14	100	100	100	100
15 Overpayment (on line 17) from previous period	15	▨			
16 Total (add lines 14 and 15)	16	100	100	100	100
17 Underpayment (subtract line 16 from line 13) OR Overpayment (subtract line 13 from line 16)	17	100	100	100	100

Part II Exceptions to the Penalty (Farmers and fishermen, see Instruction A for special exception)

18 Total amount paid and withheld from January 1 through the payment due date shown	18	100	200	300	400
19 Exception 1.—1980 tax (see instructions) ▶ $ 600	19	25% of 1980 tax:	50% of 1980 tax:	75% of 1980 tax:	100% of 1980 tax:
20 Exception 2.—Tax on 1980 income using 1981 rates and exemptions (attach computation)	20	Enter 25% of tax:	Enter 50% of tax:	Enter 75% of tax:	Enter 100% of tax:
21 Exception 3.—Tax on annualized 1981 income (attach computation)	21	Enter 20% of tax:	Enter 40% of tax:	Enter 60% of tax:	Exceptions Not Applicable
22 Exception 4.—Tax on 1981 income over 3-, 5-, and 8-month periods (see worksheet on back)	22	Enter 90% of tax:	Enter 90% of tax:	Enter 90% of tax:	

Part III How to Figure the Penalty (Complete lines 23 through 27 if none of the exceptions in Part II apply.)

23 Amount of underpayment (from line 17)	23	100	200	200	200
24 Date you made payment or April 15, 1982, whichever is earlier	24	6/15/81	100 - 9/15 100 - 1/15	4-15-82	4-15-82
25 (a) Number of days after due date of payment to and including date of payment or January 31, 1982 whichever is earlier	25a	61	100 - 91 100 - 213	138	16
(b) Number of days from and including February 1, 1982 to and including date of payment or April 15, 1982 whichever is earlier	25b	-0-	-0-	74	74
26 (a) $\frac{\text{Number of days on line 25a}}{365}$ × 12% × amount on line 23	26a	2.01	2.99 7.00	9.07	1.05
(b) $\frac{\text{Number of days on line 25b}}{365}$ × 20% × amount on line 23	26b	-0-	-0-	8.11	8.11

27 Penalty (add amounts on lines 26(a) and (b)). Check the box below line 66 on Form 1040 and show this amount in the space provided. If you owe tax, add the penalty amount to the tax due and show the total on line 66. If you are due a refund, subtract the penalty amount from the overpayment you show on line 63. 27 38.34

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Form **2210**
Department of the Treasury
Internal Revenue Service (0)

Underpayment of Estimated Tax by Individuals

▶ Attach to Form 1040. ▶ See instructions on back.

OMB No. 1545-0140
1981

Name(s) as shown on Form 1040: SIDNEY SARRELL #9

Social security number:

Part I How to Figure Your Underpayment (Complete lines 1 through 17)

If you meet any of the exceptions to the underpayment penalty for ALL four periods, skip lines 1 through 17 and go directly to line 18.

1 1981 tax (from Form 1040, line 54)			1	2700
2 Earned income credit (from Form 1040, line 57)	2			
3 Tax credit for special fuels and oils (from Form 1040, line 60)	3			
4 Royalty owner's credit (from Form 6249, Part 1, line 3 or Form 6249–A, line 3)	4			
5 Minimum tax (from Form 1040, line 49a)	5			
6 Alternative minimum tax (from Form 1040, line 49b)	6			
7 Social security (FICA) tax on unreported tip income (from Form 1040, line 51a)	7			
8 Uncollected employee FICA and RRTA tax on tips (from Form 1040, line 51b)	8			
9 Tax on an IRA (from Form 5329, Part I or III included on Form 1040, line 52)	9			
10 Total (add lines 2 through 9)			10	
11 Balance (subtract line 10 from line 1)			11	2700
12 Enter 80% of the amount shown on line 11			12	2160

		Payment Due Dates			
		(a) Apr. 15, 1981	(b) June 15, 1981	(c) Sept. 15, 1981	(d) Jan. 15, 1982
13 Divide amount on line 12 by the number of payments required for the year (usually four). Enter the result in appropriate columns	13	540	540	540	540
14 Estimated tax paid and tax withheld (see instructions)	14	450	630	500	400
15 Overpayment (on line 17) from previous period	15	▨			
16 Total (add lines 14 and 15)	16	450	630	500	40
17 Underpayment (subtract line 16 from line 13) OR Overpayment (subtract line 13 from line 16)	17	90	* < 90 >	40	140

Part II Exceptions to the Penalty (Farmers and fishermen, see instruction A for special exception)

18 Total amount paid and withheld from January 1 through the payment due date shown	18	517	1014	1514	1980
19 Exception 1.—1980 tax (see instructions) ▶ $2000	19	25% of 1980 tax: 500	50% of 1980 tax:	75% of 1980 tax: 1500	100% of 1980 tax:
20 Exception 2.—Tax on 1980 income using 1981 rates and exemptions (attach computation)	20	Enter 25% of tax:	Enter 50% of tax:	Enter 75% of tax:	Enter 100% of tax:
21 Exception 3.—Tax on annualized 1981 income (attach computation)	21	Enter 20% of tax:	Enter 40% of tax:	Enter 60% of tax:	Exceptions Not Applicable
22 Exception 4.—Tax on 1981 income over 3-, 5-, and 8-month periods (see worksheet on back)	22	Enter 90% of tax:	Enter 90% of tax:	Enter 90% of tax:	

Part III How to Figure the Penalty (Complete lines 23 through 27 if none of the exceptions in Part II apply.)

23 Amount of underpayment (from line 17)	23				
24 Date you made payment or April 15, 1982, whichever is earlier	24	EXCEPTION #1		#1	1-28-81 PAID
25 (a) Number of days after due date of payment to and including date of payment or January 31, 1982 whichever is earlier	25a				
(b) Number of days from and including February 1, 1982 to and including date of payment or April 15, 1982 whichever is earlier	25b				
26 (a) $\frac{\text{Number of days on line 25a}}{365}$ × 12% × amount on line 23	26a				
(b) $\frac{\text{Number of days on line 25b}}{365}$ × 20% × amount on line 23	26b				

27 Penalty (add amounts on lines 26(a) and (b)). Check the box below line 66 on Form 1040 and show this amount in the space provided. If you owe tax, add the penalty amount to the tax due and show the total on line 66. If you are due a refund, subtract the penalty amount from the overpayment you show on line 63. 27 -0-

For Paperwork Reduction Act Notice, see back of form.

Form 2210 (1981)

* THIS $90 PAYS 1ST QTR. DOES NOT GO FORWARD

Form **2210**
Department of the Treasury
Internal Revenue Service (0)

Underpayment of Estimated Tax by Individuals

▶ Attach to Form 1040. ▶ See instructions on back.

OMB No. 1545-0140
1981

Name(s) as shown on Form 1040: #12

Social security number:

Part I How to Figure Your Underpayment (Complete lines 1 through 17)

If you meet any of the exceptions to the underpayment penalty for ALL four periods, skip lines 1 through 17 and go directly to line 18.

1	1981 tax (from Form 1040, line 54)			1	648
2	Earned income credit (from Form 1040, line 57)	2			
3	Tax credit for special fuels and oils (from Form 1040, line 60)	3			
4	Royalty owner's credit (from Form 6249, Part 1, line 3 or Form 6249–A, line 3)	4			
5	Minimum tax (from Form 1040, line 49a)	5			
6	Alternative minimum tax (from Form 1040, line 49b)	6			
7	Social security (FICA) tax on unreported tip income (from Form 1040, line 51a)	7			
8	Uncollected employee FICA and RRTA tax on tips (from Form 1040, line 51b)	8			
9	Tax on an IRA (from Form 5329, Part I or III included on Form 1040, line 52)	9			
10	Total (add lines 2 through 9)			10	
11	Balance (subtract line 10 from line 1)			11	648
12	Enter 80% of the amount shown on line 11			12	518

			Payment Due Dates			
			(a) Apr. 15, 1981	(b) June 15, 1981	(c) Sept. 15, 1981	(d) Jan. 15, 1982
13	Divide amount on line 12 by the number of payments required for the year (usually four). Enter the result in appropriate columns	13	129	129	130	130
14	Estimated tax paid and tax withheld (see instructions)	14	100	100	100	100
15	Overpayment (on line 17) from previous period	15	▨			
16	Total (add lines 14 and 15)	16	100	100	100	100
17	Underpayment (subtract line 16 from line 13) OR Overpayment (subtract line 13 from line 16)	17	29	29	30	30

Part II Exceptions to the Penalty (Farmers and fishermen, see Instruction A for special exception)

			(a)	(b)	(c)	(d)
18	Total amount paid and withheld from January 1 through the payment due date shown	18	100	200	300	400
19	Exception 1.—1980 tax (see instructions) ▶ $	19	25% of 1980 tax:	50% of 1980 tax:	75% of 1980 tax:	100% of 1980 tax:
20	Exception 2.—Tax on 1980 income using 1981 rates and exemptions (attach computation)	20	Enter 25% of tax:	Enter 50% of tax:	Enter 75% of tax:	Enter 100% of tax:
21	Exception 3.—Tax on annualized 1981 income (attach computation)	21	Enter 20% of tax:	Enter 40% of tax:	Enter 60% of tax:	Exceptions Not Applicable
22	Exception 4.—Tax on 1981 income over 3-, 5-, and 8-month periods (see worksheet on back)	22	Enter 90% of tax: 167.	Enter 90% of tax: 279	Enter 90% of tax: 446	

Part III How to Figure the Penalty (Complete lines 23 through 27 if none of the exceptions in Part II apply.)

			(a)	(b)	(c)	(d)
23	Amount of underpayment (from line 17)	23	29	29	30	30
24	Date you made payment or April 15, 1982, whichever is earlier	24				
25 (a)	Number of days after due date of payment to and including date of payment or January 31, 1982 whichever is earlier	25a				
(b)	Number of days from and including February 1, 1982 to and including date of payment or April 15, 1982 whichever is earlier	25b				
26 (a)	$\frac{\text{Number of days on line 25a}}{365} \times 12\% \times$ amount on line 23	26a				
(b)	$\frac{\text{Number of days on line 25b}}{365} \times 20\% \times$ amount on line 23	26b				

27 Penalty (add amounts on lines 26(a) and (b)). Check the box below line 66 on Form 1040 and show this amount in the space provided. If you owe tax, add the penalty amount to the tax due and show the total on line 66. If you are due a refund, subtract the penalty amount from the overpayment you show on line 63 . 27

For Paperwork Reduction Act Notice, see back of form.

Form 2210 (1981)

EXCEPTION #4 does NOT APPLY

Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Purpose of Form.—Every taxpayer is required to prepay each year's tax by withholding or estimated tax payments. If you are an individual taxpayer, other than a qualified farmer or fisherman, and line 66, Form 1040, is $100 or more, use this form to find out if you paid enough income tax and self-employment tax during the year. If you did not pay enough, you may have to pay a penalty on the amount of your underpayment.

Additional Information.—Please get Publication 505, Tax Withholding and Estimated Tax, for more information about the penalty and exceptions to the penalty for underpayment of estimated tax. You can get it at most IRS offices.

Farmers and Fishermen.—If you meet the following tests, you will not have to pay a penalty for underpaying estimated tax:

(1) Your gross income from farming and fishing is at least two-thirds of your annual gross income for 1980 or 1981 and

(2) You filed Form 1040 and paid the tax by March 1, 1982.

If you meet both these tests, do not file this form.

If you meet the test in (1) above, but not test (2), use Form 2210F, Underpayment of Estimated Tax by Farmers and Fishermen, to find out if you owe a penalty.

For a definition of gross income: Farmers, see Publication 225; Fishermen, see Publication 595.

Fiscal Year Taxpayers.—Please contact the IRS for information on how to figure the penalty for underpayment of estimated tax.

B. How To Use This Form.—

(1) Complete Part I to find out if you have an underpayment for any of the four payment periods.

(2) If you have an underpayment on line 17 (column a, b, c, or d), go to Part II, Exceptions to the Penalty.

(3) If you cannot meet any of the exceptions for a payment period, go to Part III, How to Figure the Penalty.

C. How to Figure Your Underpayment.—Complete lines 1 through 17 in Part I. The instructions for most of these lines are on the form itself. Follow the instructions below for lines 14 and 15.

- Line 14.—Any federal income tax withheld or excess FICA/RRTA tax will be considered as evenly paid over the entire year (divide total amount paid by 4 and enter on 14(a), (b), (c), and (d)) unless you can show otherwise.
- Line 15.—Enter any overpayment shown on line 17 minus all earlier underpayments.

If you made more than one payment during any payment period, attach a sheet showing your computations. If you filed your return and paid the balance due by February 1, 1982, you are not required to make a fourth quarter installment (due January 18th).

D. Sole Exceptions to the Penalty.—You will not have to pay a penalty if your 1981 tax payments (Part II, line 18) are equal to or more than any of the four exceptions (lines 19, 20, 21, or 22) for the same payment period (column a, b, c, or d). No other exceptions apply.

Note: All exceptions must be based on timely paid installments.

If you are a calendar year taxpayer required to pay other than on four dates, please contact the IRS for information on how to compute the exceptions in Part II.

The four exceptions to the penalty are explained below. Since taxpayers most often use Exceptions 1 and 4, you may want to consider those exceptions first. Exception 1 is self-explanatory. We have provided a worksheet below for you to use in figuring Exception 4. Generally if you receive income in a lump-su such as a bonus, capital gains, or lottery winnings, you should consider Exception 4 first. If you cannot meet Exception 1 or 4, see the explanations for Exceptions 2 and 3 below. If you believe Exception 2 or 3 applies, please get Publication 505, which contains worksheets for you to use in figuring these exceptions. (Note: If you did not file a return for 1980, you may not use Exception 1 or 2.)

- *Exception 1, 1980 Tax.*—This exception applies if your 1981 tax payments equal or exceed the tax shown on your 1980 tax return (including self-employment tax but excluding minimum tax or alternative minimum tax). Your 1980 return must cover a 12-month period and show a tax liability.
- *Exception 2, Tax on 1980 Income Using 1981 Rates and Exemptions.*—This exception applies if your 1981 withholding and estimated tax payments equal or exceed the tax due on your 1980 income using 1981 rates (including self-employment tax but excluding minimum tax or alternative minimum tax). You must use the personal exemptions allowed for 1981 but use the other facts and law applicable to your 1980 return.
- *Exception 3, Tax on Annualized 1981 Income.*—This exception applies if your 1981 tax payments equal or exceed 80% of the tax (excluding minimum tax or alternative minimum tax) on your annualized income for periods from January 1, 19 to March 31, May 31, or August 31, 19
- *Exception 4, Tax on 1981 Income Over Periods of 3, 5, and 8 Months.*—This exception applies if your 1981 tax payments equal or exceed 90% of the tax (including self-employment tax but excluding minimum tax or alternative minimum tax) on your actual income from Jan. 1, 1981 to March 31, May 31, or Aug. 31, 1981. To figure this exception, complete the worksheet below.

Note: *If you received FICA wages and self-employment income, figure your self-employment tax for each period on no more than $29,700 reduced by your wages for that period.* 3333 <4000> 5333 <4000> <3400>

Exception 4 Worksheet 2000 <4000>		1/1/81 to 3/31/81	1/1/81 to 5/31/81	1/1/81 to 8/31/81
1 Enter your taxable income for the period(s) shown	1	0	0	0
2 Enter tax on amount on line 1 from Tax Table or Tax Rate Schedule	2	0	0	0
3 Enter self-employment tax from line 6 of the worksheet below	3	186	310	496
4 Total tax. Add lines 2 and 3	4	186	310	496
5 Enter the total of the applicable portion for each period of any credit shown on Form 1040, lines 38 through 46, 57, and 60, and the applicable portion for each period of the royalty owner's credit from Form 6249, Part I, line 3, or Form 6249—A, line 3	5			
6 Subtract line 5 from line 4. Enter 90% of this amount on line 22, Part II, of this form	6	167	279	446
Self-employment Tax Worksheet		1/1/81 to 3/31/81	1/1/81 to 5/31/81	1/1/81 to 8/31/81
1 Actual self-employment income for period(s) shown	1	2000	3333	5333
2 Limit	2	29,700	29,700	29,700
3 Actual wages subject to FICA tax	3	0	0	0
4 Subtract line 3 from line 2	4	29,700	29,700	29,700
5 Lesser of line 1 or 4	5	2000	3333	5333
6 Multiply line 5 by .093	6	186	310	496

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KEY TO QUIZ: Session XVII

1. C
2. B
3. Yes
4. 5% per mo.-25%
   1/2% per mo.-25%
5. Yes, file and pay all tax due by 1/31
6. Yes
7. D
8. B
9. None (no tax due)
10. F
11. T
12. T
13. T
14. F
15. F
16. T
17. F
18. T
19. T
20. T
21. F
22. F
23. T
24. T
25. April
26. $50 March - $30 April
27. Yes
28. No
29. D
30. A
31. T
32. T
33. T
34. a. No, she filed on time
    b. $3 (1/2% per month)
35. 4/15/82 (3 yrs. after due date)
36. B
37. A
38. A
39. a. 9/15
    b. 9/15 & 1/15
    c. 50% on each date
40. a. no
    b. yes

SESSION XVIII
EXAMINATION OF RETURNS AND APPEAL RIGHTS
COURSE REVIEW, INTERVIEW TECHNIQUES

Reading Assignment:	Publication 17, Ch. 6, 37 Publication 225, Ch. 19, 20 Interview Techniques (Student Workbook)			
Forms Required for Class Handouts:	1040	(2)	Form 40	(1)
	Schedule A	(2)	Form 70R	(1)
	Form 2441	(1)	Form 2106	(1)
			Form 40NR	(1)

I. Review

A. Review quiz taken in previous session

B. Review any assignment not yet covered in class

C. Answer all questions students have at this time before going into next session.

II. Introduction of new material

III. Teaching Hints

A. Two sets of interview problems follow to use with class. Half of class should be the "interviewer" and the other half the "interviewee" working in pairs. Then switch the process so that with the second interview, the client and the preparer roles will be reversed. These two returns can then be assigned as homework.

B. Secure assistance of a professional tax preparer or consultant to assist you in an actual interview situation (or get two outside professionals) to acquaint the students with actual practice situations.

C. For this session some intructor's like to give an "Open Book" quiz.

IV. Problems for students to work in class or as homework.

V. Reading assignment and homework for following session

VI. Interview Quiz

VII. Resources for Teacher:

Publication 556, Appeal Rights

II. INTRODUCTION OF NEW MATERIAL

A. Examination of returns

Two reasons for examinations of returns are: (1) verification of the correctness of amounts listed on the return, and (2) statistical sampling.

1. Examination procedures

   Discuss typical examination interviews. Cover the use of Form 2848-D (Tax Information Authorization and Declaration of Representation) and Form 2848 (Power of Attorney and Declaration of Representation).

2. Agreement to examination results

   The taxpayer must sign a waiver if he or she agrees with the examination findings.

B. Appeal rights of the taxpayer

1. 30-day letters

   The 30-day letter giving the taxpayer 30 days to respond to the examination findings.

2. Appeal within the Internal Revenue Service

   Explain the single appeal level system that is available to the taxpayer within the IRS.

3. Written protests
   Have students review the situations when a written protest does not have to be filed.

   Cover the points the students will need to cover in their written protests to the examination findings.

4. Appeals to the Courts
   The courts have no connection with the IRS.

   Three types of courts available to the taxpayers to appeal an examination finding.

   When an appeal is made to the Tax Court, the proposed additional tax is not paid beforehand.

C. Interview Techniques

D. Course Review

1. Sample Returns

III. TEACHING HINTS

A. Explain why interviews are so important

B. Demonstrate an interview. Use a student or an associate tax preparer.

C. Explain different methods of interviews.

D. Have students interview each other for experience. Provide case studies to assist students. Interview problems included in following material.

E. Assign students to demonstrate different methods of interviewing.

F. Read a case study and have students take the information for their use in preparation of a tax return.

INTERVIEW QUIZ: Session XVIII: Examination of Returns and Appeal Rights

True or False

1. T F You need to know spouse's social security number.

2. T F You never need to check taxpayer's social security number. It is always correct on the W-2.

3. T F The names and ages of children are not important. Just how many.

4. T F All you need are approximate figures on any deduction.

5. T F You never need to ask a taxpayer to repeat the answer, just use what you think the taxpayer said.

6. T F When doing a business or farm, it doesn't matter what the beginning or ending inventory is.

7. T F You don't need to ask about retirement income for Schedule R or RP as no one can ever use it anyway. (Social security is too high).

8. T F Taxpayers always volunteer all information.

9. T F You may have to repeat or reword questions as taxpayer doesn't always understand what it is you want.

10. T F All you need is the home address not where they get their mail.

11. T F Filing status is not important, as tax rates don't vary much from one status to the next.

12. T F Ages of taxpayer and spouse are not important.

13. T F Spelling of names of taxpayer, spouse, children are not important. (Taxpayer never notices if the spelling is incorrect.)

14. T F If taxpayer sold his home and purchased a new one, the amount of the sale and cost of the new home are immaterial as the gain is deferred anyway.

15. T F Only approximate figures are necessary for interest income. This is never checked.

16. T F Never explain the reasons behind what you want to know, the taxpayer won't understand anyway.

17. T F Never ask if taxpayer has other income that they haven't told you about as this is not taxable, if it isn't on W-2 or 1099.

18. T F Clients will never ask questions, or volunteer information.

19. T F The interview is the least important thing in the preparation of the tax return.

Interview Problem #1

Information from client:

Situation: Ben C. Lord single, age 55, SS#000-10-1111. Manager. Lives at 125 Anyplace Ave., Nowhere, OR. 90000 (What county)

W-2 information: Fed. W/H $900; Wages $7,200; FICA $478.80; State W/H $396.

Received $66 interest from First Bank. Doesn't want to contribute to Presidential Campaign Fund.

He paid $575 for insurance which he says will qualify as medical expense. Also had some medical expenses. He was paid $400 from Blue Cross for doctor bills he paid, and $100 from weekly indemnity policy. Gave $100 of food at Christmastime. Bought house in April, paid $920 interest and in October paid $350 taxes. Got a State tax refund of $20.

Additional information to be given only if specifically asked by preparer. Do not offer any information.

Information on reverse side to be shown to preparer, only if requested.

1. Insurance is 3 policies, Blue Cross $240; Omaha Mutual $140. (Pays for loss of limb, etc.) Continental Ins. $195. (Pays $70 a week while off sick.)
2. Medical expenses: Dentist $400. Borrowed $300 from bank and paid the skin specialist but only made 2 payments to the bank on the loan of $20 each and the interest was $4. Paid his mother's (Maude) doctor bill of $200. She is a widow and lived with him all year, he provided over 50% support. She had $600 interest income and $50 monthly social security.
3. Didn't itemize last year.
4. Food was given directly to needy families.
5. His tax statement shows value of: Land $5,000; improvements $11,000; tax assessed $361.
6. Telephone No.: 795-6000.
7. He wishes to contribute $1.00 to Oregon Nongame Wildlife Fund.

SELLER Debit	SELLER Credit	EXPENSES	BUYER Debit	BUYER Credit
	25,000.00	Consideration		
		Initial Deposit Date 6/15/74	25,000.00	
		Additional Deposit Date		1,500.00
		Payoff 1st Mortgage (See Reverse for Details)		
		Payoff 2nd Mortgage (See Reverse for Details)		
		Assessments		
28.00		Consent Fee		
		Transfer Fee		
77.00		Escrow Fee (Charged 1/2 to Buyer;1/2 to Seller)	77.00	
50.00		Certificate of Title/Continuation	25.00	
		Title Insurance		
46.80		Conroy, Hamilton, Gibson, Nickelsen, Rush, Attorneys Drawing ~~Deed~~/Lease/~~Agreement of Sale~~/Assignment		
		Acknowledgements	2.50	
		Recording Documents (Seller)		
		Recording Documents (Buyer)	5.00	
		Agreement of Sale		
		Mortgage	-	
		Interest		
		Assumption Fee		
		Customer Trust Fund		
12.00		Conveyance Tax Certificate		
750.00		Commission - Honolulu Realty, Inc.		
750.00		Commission 1/2 to Aaron M. Chaney, Inc.		
		Inventory		
		Taxes		
~~[illegible]~~		Maintenance ~~July---10 days~~ June	86.83	
	.78	~~Lease Rent~~ Credit on Chaney books - overpayment	~~67.14~~	
		Insurance of maint. fee	.78	
		Rent		
5.00		Airmail special delivery		
		Amortization Schedule		
		Balance Due from Buyer		23,695.11 ~~23,664.41~~
23,281.98 ~~[illegible]~~		Net Proceeds paid to Seller		
		Buyer's First Payment Due: /1/74 $85.61		
		To Be Sent To: Tradewinds Hotel, Inc. c/o Aaron M. Chaney, Inc. P. O. Box 212 Honolulu, Hawaii 96810		
25,000.78	25,000.78		25,166.61	25,166.61

This Statement is accepted as correct.

BUYER: ______________________

SELLER: ______________________

DATE: ______________________

DATE: ______________________

Interview Problem #2

Tom D. and Ann L. Dunn, 100 2nd Ave., Old Creek, Wash., 98000. County: Clark.

Tom: Age 40, SS# 010-99-0001. Occupation: Inspector W-2: Fed. W/H: $1,700. Taxable Income $13,100 FICA W/H $871.15. FICA wages $12.500 State W/H $790.

Ann: Age 35, SS# 001-90-9990. Occupation: Secretary W-2: Fed. W/H: $800. Taxable Income: $6,500. FICA W/H $432.25 State W/H $380.

AT & T Dividend received $250. Children: Joe and Jill. Both NO on Presidential Campaign Fund. Own their own home. Tom is covered by medical insurance: $400.

Facts to be given only if specifically asked by interviewer. DO NOT offer any information not requested. (See reverse).

1. Both work in Portland all year.
2. Children both under 15 and have no income. Joe born 1973, Jill born 1970.
3. Child care paid as follows: Jan.--$92; Feb. thru May--$80 monthly. June, July--$84 each; August--$92; Sept. thru Dec.---$100 monthly. Jan. and Feb. paid to Ann's mother at her home; March thru May paid to neighbor who took care of children in her home; June thru August paid to high school girl at her home; Sept. thru Dec. paid to Day Care Center.
4. Car mileage: Tom's pickup 16,000 (4,000 miles of this driven on co. business). See W-2; $600 paid by co. at 15cents a mile included in taxable wages.
5. Tom bought a boat for $3,800. (Wash. sales tx = 4.5%)
6. Paid $32 for tax preparation.
7. License on pickup was $72.60; Ann's car was $26.40. Registration fees: Pickup--$9.40; car--$8.60. Business parking (Tom) $10
8. Tom's employer pays for the medical insurance.
9. Itemized last year, Oregon income tax refund $150.
   a. Total excess itemized deductions $700.
   b. Total Oregon income tax deductions $200.
10. Tom's employer: Pest Control, Inc.
11. Telephone: 672-8000.

THE LOMAS & NETTLETON COMPANY

MORTGAGE LOAN LEDGER

Tom and Ann Dunn
100 2nd Ave.
Old Creek, Wash, 98000

ANNUAL STATEMENT YEAR ENDING ** DEC 31, 1973

[illegible]

CAPTION PAYMENT	CODE	DATE DUE	DATE PAID	CHECK NUMBER	TOTAL PAYMENT	MISC.	INTEREST	PRINCIPAL	ESCROW IMPOUND
PMG	99	01-73						19,402.15	182.76
E CHG	10	01-73	01-24			6.68			
PMT	01	01-73	01-24		167.00		113.18	24.82-	29.00
E CHG	10	02-73	02-23			6.68			
PMT	01	02-73	02-23		167.00		113.03	24.97-	29.00
PMT	01	03-73	03-07		167.00		112.89	25.11-	29.00
PMT	01	04-73	04-18		167.00		112.74	25.26-	29.00
PMT	01	05-73	05-14		167.00		112.59	25.41-	29.00
INS	51		06-06	546066	55.00-				55.00
OVER	03	06-73	07-02		6.24				6.2
E CHG	10	06-73	07-02			6.44			
PMT	01	06-73	07-02		161.00		112.45	25.55-	23.00
PMT	01	07-73	07-17		161.00		112.30	25.70-	23.00
PMT	01	08-73	08-09		161.00		112.15	25.85-	23.00
PMT	01	09-73	09-13		161.00		112.00	26.00-	23.00
PMT	01	10-73	10-12		161.00		111.85	26.15-	23.00
PMT	01	11-73	11-14		161.00		111.69	26.31-	23.00
TAX	50		11-26	652090	347.20-				347.20

LOAN NUMBER	INVESTOR NUMBER	BANK AND INVESTOR CODE	TAXES PAID	INTEREST PAID	PRINCIPAL BALANCE	ESCROW IMPOUND BALANCE
-07-59-23685	9523468	700--45	347.20	1,236.87	19,121.02	63.8

422

KEY TO EXERCISES: Session XVIII, Examination of Returns, and Appeal Rights

1. False (A refund also may result.)

2. False (IRS must collect only the tax lawfully due.)

3. Form 2848-D, Tax Information Authorization and Declaration of Representative, authorizes an accountant, attorney, or other preparer to represent a taxpayer at an examination.

4. False (A signed waiver indicates agreement to examination findings.)

5. False (Main purpose is to verify accuracy of return.)

6. Sign the waiver and pay the tax.

7. The 30-day letter explains the appeals procedures, and requests the taxpayer to state a choice of action within 30 days.

8. Appeal to the Courts, or pay the tax as assessed.

9. The later of:
   a. 3 years from date return was filed (or due date of return, whichever is later), or
   b. 2 years from date tax was paid.

KEY TO INTERVIEW QUIZ: Session XVIII

1.	T	6.	F	11.	F	16.	F
2.	F	7.	F	12.	F	17.	F
3.	F	8.	F	13.	F	18.	F
4.	F	9.	T	14.	F	19.	F
5.	F	10.	F	15.	F		

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) INTERVIEW #1

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name: BEN C. LORD
Your social security number: 000 10 1111
Present home address (Number and street, including apartment number, or rural route): 125 ANYPLACE AVE
Spouse's social security no.:
City, town or post office, State and ZIP code: NOWHERE OR 98000
Your occupation ▶ MANAGER
Spouse's occupation ▶

Presidential Election Campaign ▶ Do you want $1 to go to this fund? ☐ Yes ▨ ☒ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ▨ ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☒ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 1
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶
d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?
MAUDE LORD	MOTHER	12	NO	YES

Enter number of other dependents ▶ 1
e Total number of exemptions claimed . . . Add numbers entered in boxes above ▶ 2

Income

Please attach Copy B of your Forms W-2 here.

If you do not have a W-2, see page 5 of Instructions.

7	Wages, salaries, tips, etc.			7	7200
8a	Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	66		
b	Dividends (attach Schedule B if over $400)	8b			
c	Total. Add lines 8a and 8b	8c	66		
d	Exclusion (See page 9 of Instructions)	8d	66		
e	Subtract line 8d from line 8c (but not less than zero)			8e	-0-
9	Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	
10	Alimony received			10	
11	Business income or (loss) (attach Schedule C) ▶			11	
12	Capital gain or (loss) (attach Schedule D)			12	
13	40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14	Supplemental gains or (losses) (attach Form 4797)			14	
15	Fully taxable pensions and annuities not reported on line 16			15	
16a	Other pensions and annuities. Total received	16a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18	Farm income or (loss) (attach Schedule F) ▶			18	
19a	Unemployment compensation (insurance). Total received	19a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20	Other income (state nature and source—see page 11 of Instructions) ▶			20	
21	Total income. Add amounts in column for lines 7 through 20 ▶			21	7200

Please attach check or money order here.

Adjustments to Income

(See Instructions on page 11)

22	Moving expense (attach Form 3903 or 3903F)	22			
23	Employee business expenses (attach Form 2106)	23			
24	Payments to an IRA (enter code from page 11 ....)	24			
25	Payments to a Keogh (H.R. 10) retirement plan	25			
26	Interest penalty on early withdrawal of savings	26			
27	Alimony paid	27			
28	Disability income exclusion (attach Form 2440)	28			
29	Other adjustments—see page 12 ▶	29			
30	Total adjustments. Add lines 22 through 29 ▶			30	

Adjusted Gross Income

31	Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶			31	7200

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Tax Computation (See Instructions on page 12)	32a Amount from line 31 *(adjusted gross income)*			32a	7200	
	32b If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41			32b	0	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*					
	32c Subtract line 32b from line 32a			32c	7200	
	33 Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e			33	2000	
	34 Taxable Income. Subtract line 33 from line 32c			34	5200	
	35 Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726			35	421	
	36 Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax			36		
	37 Total. Add lines 35 and 36 ▶			37	421	
Credits (See Instructions on page 13)	38 Credit for contributions to candidates for public office	38				
	39 Credit for the elderly *(attach Schedules R&RP)*	39				
	40 Credit for child and dependent care expenses *(attach Form 2441)*	40				
	41 Investment credit *(attach Form 3468)*	41				
	42 Foreign tax credit *(attach Form 1116)*	42				
	43 Work incentive (WIN) credit *(attach Form 4874)*	43				
	44 Jobs credit *(attach Form 5884)*	44				
	45 Residential energy credit *(attach Form 5695)*	45				
	46 Total credits. Add lines 38 through 45			46	/	
	47 Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	421	
Other Taxes (Including Advance EIC Payments)	48 Self-employment tax *(attach Schedule SE)*			48		
	49a Minimum tax. Attach Form 4625 and check here ▶ ☐			49a		
	49b Alternative minimum tax. Attach Form 6251 and check here ▶ ☐			49b		
	50 Tax from recomputing prior-year investment credit *(attach Form 4255)*			50		
	51a Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*			51a		
	51b Uncollected employee FICA and RRTA tax on tips *(from Form W–2)*			51b		
	52 Tax on an IRA *(attach Form 5329)*			52		
	53 Advance earned income credit (EIC) payments received *(from Form W–2)*			53	/	
06	54 Total tax. Add lines 47 through 53 ▶			54	421	
Payments Attach Forms W–2, W–2G, and W–2P to front.	55 Total Federal income tax withheld	55	990			
	56 1981 estimated tax payments and amount applied from 1980 return	56				
	57 Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57				
	58 Amount paid with Form 4868	58				
	59 Excess FICA and RRTA tax withheld (two or more employers)	59				
	60 Credit for Federal tax on special fuels and oils *(attach Form 4136 or 4136–T)*	60				
	61 Regulated Investment Company credit *(attach Form 2439)*	61				
	62 Total. Add lines 55 through 61 ▶			62	990	
Refund or Balance Due	63 If line 62 is larger than line 54, enter amount OVERPAID ▶			63	[illegible]	00
	64 Amount of line 63 to be REFUNDED TO YOU ▶			64	[illegible]	[illegible]
	65 Amount of line 63 to be applied to your 1982 estimated tax ▶	65				
	66 If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature

Date

Check if self-employed ▶ ☐

Preparer's social security no. xxx xx xxxx

Firm's name (or yours, if self-employed) and address ▶

E.I. No. ▶

ZIP code ▶

Schedules A&B (Form 1040)
Department of the Treasury Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: Ben C Lord

Your social security number: 000 10 1111

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶	120	
2 Medicine and drugs .		
3 Enter 1% of Form 1040, line 31 . . .		
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		
5 Balance of insurance premiums for medical care not entered on line 1	120	
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc. . . .	900	
b Hospitals		
c Transportation		
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
Reimbursement	< 400 >	
7 Total (add lines 4 through 6d)	620	
8 Enter 3% of Form 1040, line 31 . . .	216	
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero	404	
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 . ▶	524	

Taxes (See page 18 of Instructions.)

11 State and local income	396	
12 Real estate . 350 + 85 . .	435	
13 a General sales (see sales tax tables) .		
b General sales on motor vehicles . .		
14 Personal property		
15 Other (itemize) ▶		
16 Total taxes (add lines 11 through 15). Enter here and on line 34 . . . . ▶	831	

Interest Expense (See page 18 of Instructions.)

17 Home mortgage	920	
18 Credit and charge cards.		
19 Other (itemize) ▶ Bank	4	
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	924	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Contributions (See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b) .		
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶		
22 Other than cash (see page 19 of Instructions for required statement)		
23 Carryover from prior years		
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶		

Casualty or Theft Loss(es) (You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)

25 Loss before reimbursement		
26 Insurance or other reimbursement you received or expect to receive		
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero . . .		
28 Enter $100 or amount from line 27, whichever is smaller		
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶		

Miscellaneous Deductions (See page 19 of Instructions.)

30 a Union dues		
b Tax return preparation fee		
31 Other (itemize) ▶		
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 . . . . ▶		

Summary of Itemized Deductions (See page 20 of Instructions.) **A**

33 Total medical and dental—from line 10 .	524	
34 Total taxes—from line 16	831	
35 Total interest—from line 20	924	
36 Total contributions—from line 24 . . .		
37 Total casualty or theft loss(es)—from line 29 .		
38 Total miscellaneous—from line 32 . . .		
39 Add lines 33 through 38	2279	
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 . . . . . 1 or 4, enter $2,300 . . . . . 3, enter $1,700		
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) . . . . . ▶	Oregon only	

FULL-YEAR RESIDENTS ONLY

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name LORD	First name and initial BEN C	Social Security number 000 | 10 | 1111
Spouse's last name if different and joint return	Spouse's first name and initial if joint return	Spouse's Social Security number

Mailing address 125 ANYPLACE AVE.			Telephone number 794-6000
City NOWHERE	State OR	ZIP Code 93000	County WHAT

Did you file an Oregon income tax return for 1980? ☑ Yes ☐ No

If NO, give reason: ________

For office use only

Filing Status

Check only one box

1 ☐ Single

2 ☐ Married filing jointly

3 ☐ Married filing separately ________ (Spouse's name)

4 ☒ Unmarried head of household MAUDE LORD (Person who qualifies you)

5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse					
Dependents (First names) MAUDE					1
Total exemptions claimed ●					2

1 Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10	1	7200	
OREGON CHANGES TO INCOME			
2 Interest received from All Savers Certificates ●	2		
3 Changes in depreciation for Oregon ●	3		
4 Other Oregon changes to federal income. Identify ________ ●	4		
5 Oregon adjusted gross income. Add lines 1, 2, 3 and 4	5		7200
ADDITIONS			
6 Interest on local government bonds of other states ●	6		
7 Other additions. Identify ________ ●	7		
8 Total additions. Add lines 6 and 7	8		
9 Income after additions. Line 5 plus line 8	9		7200
SUBTRACTIONS			
10 1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21 ●	10	421	
11 Oregon income tax refund included in federal income (not property tax refund) ●	11		
12 Interest from U.S. government, such as Series E and H bonds ●	12		
13 U.S. public retirement income. Not more than $3,400. See instructions, page 21 ●	13		
14 Military active duty pay. Not more than $3,000. See instructions, page 22 ●	14		
15 Oregon public retirement income ●	15		
16 Other subtractions. Identify ________ ●	16		
17 Total subtractions. Add lines 10 through 16	17		421
18 Income after subtractions. Line 9 minus line 17	18		6779

Attach W-2 wage slips and payment here

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

19	Amount from front of form, line 18			19	6779

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22. OR only line 23

20	Itemized deductions from Schedule A, line 39	• 20	2279		EITHER, NOT BOTH
21	State income tax claimed as an itemized deduction	• 21	396		
22	Net Oregon itemized deductions. Line 20 minus line 21	22	1883		
23	Standard deduction from table, page 10	23			
24	Exemptions. Multiply your total Oregon exemptions by $1,000	24	2000		
25	Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24			25	3883
26	Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-			• 26	2896

OREGON TAX

27	Oregon tax from rate charts, page 18	• 27	144		
28	Minimum tax. Attach Schedule M if you need to pay this extra tax	• 28			
29	Total tax. Add lines 27 and 28			29	144
30	Credit for the elderly, 15% of your federal credit for the elderly	• 30			
31	Child care credit, 40% of your federal child care credit	• 31			
32	Credit for income tax paid to another state. Attach proof. See page 28	• 32			
33	Political contribution credit. See limits, page 29. Attach proof	• 33			
34	Weatherization credit. For users of certain fuels. Attach certificate. See page 29	• 34			
35	Other credits. Identify ____________	• 35			
36	Total credits. Add lines 30 through 35			36	
37	Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-			37	144

TAX PAYMENTS MADE IN 1981

38	Oregon income tax withheld from wages. Attach W-2 wage slips	• 38	396		
39	Estimated tax payments for 1981	• 39			
40	Total tax already paid. Add lines 38 and 39			40	396
41	Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40			• 41	252
42	ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	• 42			These will reduce your refund
	I wish to donate part of my tax refund to the following:				
43	Oregon Nongame Wildlife Fund $1 ☒, $5 ☐, $10 ☐, Other $______, ☐ None	• 43	1		
44	Oregon Arts Development Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☐ None	• 44			
45	Total. Add lines 42, 43 and 44. Total can't be more than line 41			45	1
46	**NET REFUND.** Line 41 minus 45. This is your net refund			• 46	251 00
47	**TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.			• 47	
48	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check ▶ ☐. See page 31 of instructions.			• 48	

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.

Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

▶ ______________________ Your signature ______ Date

▶ ______________________ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Student Signature

______________________ Signature of preparer other than taxpayer ______ License no.

______________________ Address

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

FORM
70R

OREGON HOMEOWNER AND RENTER REFUND FORM

1981

Please print or type

Claimant's last name LORD	Claimant's first name and initial BEN C	Social Security number 000 | 10 | 1111	Age 55
Spouse's last name if different	Spouse's first name & initial	Spouse's Social Security number	Spouse's age
Mailing address 125 ANYPLACE AVE		Telephone number 794-6000	
City NOWHERE	State OR.	ZIP Code 98000	County WHAT

Did you file an Oregon Individual Income Tax Return for 1980? ☒ Yes ☐ No

For office use only

FILL IN lines 1 through 24 below if:
- You are a renter (no income limit), or
- You are a homeowner with household income less than $17,500, or
- You are a mobile home resident who pays rent (no income limit), or
- You own your mobile home AND land and have household income less than $17,500.

DON'T FILE this form if you have household income $17,500 or more, AND
- Own your home, OR
- Own BOTH your mobile home AND land.

WORK OR INVESTMENTS

1	WAGES, SALARIES and other pay for work	1	7200	
2	INTEREST, DIVIDENDS (total taxable and nontaxable)	2	66	
3	BUSINESS NET INCOME (loss limited to $1,000)	3		
4	Farm net income (loss limited to $1,000)	4		
5	Total gain on property sales (loss limited to $1,000)	5		
6	Rental net income (loss limited to $1,000)	6		
7	Net operating loss carryback and carryforward (limited to $1,000)	7		
8	Other income from your federal return. Identify ______	8		
9	Add lines 1 through 8	• 9		7266

RETIREMENT

10	Social Security, Supplemental Security Income (SSI), Railroad Retirement (total for 1981)	10		
11	Pension, annuity (total taxable and nontaxable received during 1981)	11		
12	Add lines 10 and 11	• 12		

OTHER

13	ADULT AND FAMILY SERVICES (Welfare)	• 13		
14	UNEMPLOYMENT	• 14		
15	CHILD SUPPORT	15		
16	Veteran's benefits, military pay and benefits	16		
17	Disability pay, life insurance proceeds, personal injury damages, strike benefits	17		
18	Workers' compensation, accident and health insurance payments	18		
19	Inheritances	19		
20	Gifts and grants: total amount minus $500	20		
21	Add lines 13 through 20	21		
22	Total. Add lines 9, 12 and 21	22		7266
23	Adjustments to income from federal Form 1040, lines 22 through 27 and line 29	• 23		
24	Your total household income. Line 22 minus line 23	• 24		7266

HOMEOWNERS — Now go to **section A** on the back of this form.
MOBILE HOME RESIDENTS — Now go to **section B** if you own your mobile home AND/OR land. Go to **section C** if you rent BOTH your mobile home AND land.
RENTERS — Now go to **section C** on the back of this form.

150-101-073 (10-81)

Complete only one section.

A **HOMEOWNERS** Owned on Dec. 31, 1981

25	Total ASSESSED VALUE of the home you owned and occupied Dec. 31, 1981. Attach your 1981-82 Property Tax Statement	● 25	16,000
26	Total PROPERTY TAX on your home. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments.	● 26	361
27	MAXIMUM REFUND from the HARRP table for homeowners.	27	456
28	SMALLER of line 26 or line 27	28	361
29	Special Shelter Allowance (Aid to Dependent Children)	● 29	
30	YOUR HOMEOWNER REFUND. Line 28 minus line 29	● 30	361

B **MOBILE HOME OWNERS** Owned on Dec. 31, 1981

31	Total ASSESSED VALUE of your mobile home and/or land you owned and occupied on Dec. 31, 1981. Attach your 1981-82 property tax statement(s). (If you rented your home and land, file as a renter.)	● 31	
32	TOTAL PROPERTY TAX on your home and/or land. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments.	● 32	
33	TOTAL OREGON RENT for 1981 from Rental Schedule below.	● 33	
34	Optional: Refund amount from worksheet, line 22 or line 24 (if you filled out worksheet).	● 34	

C **RENTERS** Didn't own on Dec. 31, 1981

35	TOTAL OREGON RENT for 1981 from the Rental Schedule below	● 35	
36	Optional: Refund amount from worksheet, line 10 or line 23 (if you filled out worksheet).	● 36	

Check the box if you paid rent to a nursing home ☐ or a retirement (rest) home ☐.

SPECIAL PROGRAM FOR ELDERLY RENTERS

You may qualify for a larger refund. See instructions for Elderly Rental Assistance. Fill in line 37 if you qualify for the program.

37	Total fuel and utilities only (not telephone). DON'T INCLUDE RENT	● 37	

RENTAL SCHEDULE List the places you rented in Oregon and the rent you paid for 1981. Roommates: only one may file.

Your address(es): street, city, state	Roommates' names	Landlord(s)	1981 rental period From	To	Rent per month	Total

TOTAL RENT FOR 1981. Add the rent you paid for 1981. Fill in the total in this space.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE ▶

Claimant's signature (Person listed first on front of form) Date

Student Signature

Signature of preparer other than taxpayer License no.

MAIL YOUR FORM 70R WITH YOUR OREGON INCOME TAX RETURN IF YOU FILE A RETURN.
Mail all others to: REFUND, P.O. Box 14700, Salem, OR 97310

YOU'LL GET YOUR REFUND IN OCTOBER 1982.

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) INTERVIEW #2

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (If joint return, also give spouse's name and initial) / Last name: Tom D. & Ann L. Dunn

Your social security number: 010 | 99 | 0001

Present home address (Number and street, including apartment number, or rural route): 100 2nd. Ave

Spouse's social security no.: 001 | 90 | 9990

City, town or post office, State and ZIP code: Old Creek, WA. 98000

Your occupation ▶ INSPECTOR

Spouse's occupation ▶ SECRETARY

Presidential Election Campaign
▶ Do you want $1 to go to this fund? ☐ Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☒ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status

Check only one box.

1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☒ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 2

c First names of your dependent children who lived with you ▶ Sue, Bill
Enter number of children listed on 6c ▶ 2

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶

e Total number of exemptions claimed — Add numbers entered in boxes above ▶ 4

Income

Please attach Copy B of your Forms W-2 here.

If you do not have a W-2, see page 5 of Instructions.

Please attach check or money order here.

7	Wages, salaries, tips, etc.			7	19600
8a	Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a			
b	Dividends (attach Schedule B if over $400)	8b	250		
c	Total. Add lines 8a and 8b	8c	250		
d	Exclusion (See page 9 of Instructions)	8d	250		
e	Subtract line 8d from line 8c (but not less than zero)			8e	-0-
9	Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	150
10	Alimony received			10	
11	Business income or (loss) (attach Schedule C) ▶			11	
12	Capital gain or (loss) (attach Schedule D)			12	
13	40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14	Supplemental gains or (losses) (attach Form 4797)			14	
15	Fully taxable pensions and annuities not reported on line 16			15	
16a	Other pensions and annuities. Total received	16a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18	Farm income or (loss) (attach Schedule F) ▶			18	
19a	Unemployment compensation (insurance). Total received	19a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20	Other income (state nature and source—see page 11 of Instructions) ▶			20	
21	Total income. Add amounts in column for lines 7 through 20 ▶			21	19,750

Adjustments to Income

(See Instructions on page 11)

22	Moving expense (attach Form 3903 or 3903F)	22			
23	Employee business expenses (attach Form 2106)	23	810		
24	Payments to an IRA (enter code from page 11 ....)	24			
25	Payments to a Keogh (H.R. 10) retirement plan	25			
26	Interest penalty on early withdrawal of savings	26			
27	Alimony paid	27			
28	Disability income exclusion (attach Form 2440)	28			
29	Other adjustments—see page 12 ▶	29			
30	Total adjustments. Add lines 22 through 29 ▶			30	810

Adjusted Gross Income

31	Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	18,940

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—0—343-057 98-0873140

Form 1040 (1981) Page 2

Tax Computation (See instructions on page 12)	32a Amount from line 31 *(adjusted gross income)*			32a	18,940	
	32b If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41			32b	0	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*					
	32c Subtract line 32b from line 32a			32c	18940	
	33 Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e			33	4000	
	34 Taxable Income. Subtract line 33 from line 32c			34	14 940	
	35 Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726			35	2014	
	36 Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax			36		
	37 Total. Add lines 35 and 36 ▶			37	2014	
Credits (See instructions on page 13)	38 Credit for contributions to candidates for public office	38				
	39 Credit for the elderly *(attach Schedules R&RP)*	39				
	40 Credit for child and dependent care expenses (attach Form 2441)	40	214			
	41 Investment credit *(attach Form 3468)*	41				
	42 Foreign tax credit *(attach Form 1116)*	42				
	43 Work incentive (WIN) credit *(attach Form 4874)*	43				
	44 Jobs credit *(attach Form 5884)*	44				
	45 Residential energy credit *(attach Form 5695)*	45				
	46 Total credits. Add lines 38 through 45			46	214	
	47 Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	1800	
Other Taxes (Including Advance EIC Payments)	48 Self-employment tax *(attach Schedule SE)*			48		
	49a Minimum tax. Attach Form 4625 and check here ▶ ☐			49a		
	49b Alternative minimum tax. Attach Form 6251 and check here ▶ ☐			49b		
	50 Tax from recomputing prior-year investment credit *(attach Form 4255)*			50		
	51a Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*			51a		
	51b Uncollected employee FICA and RRTA tax on tips *(from Form W-2)*			51b		
	52 Tax on an IRA *(attach Form 5329)*			52		
	53 Advance earned income credit (EIC) payments received *(from Form W-2)*			53		
06	54 Total tax. Add lines 47 through 53 ▶			54	1700	
Payments Attach Forms W-2, W-2G, and W-2P to front.	55 Total Federal income tax withheld	55	2500			
	56 1981 estimated tax payments and amount applied from 1980 return	56				
	57 Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57				
	58 Amount paid with Form 4868	58				
	59 Excess FICA and RRTA tax withheld (two or more employers)	59				
	60 Credit for Federal tax on special fuels and oils (attach *Form 4136 or 4136–T)*	60				
	61 Regulated Investment Company credit *(attach Form 2439)*	61				
	62 Total. Add lines 55 through 61 ▶			62	2500	
Refund or Balance Due	63 If line 62 is larger than line 54, enter amount OVERPAID ▶			63	700	
	64 Amount of line 63 to be REFUNDED TO YOU ▶			64	700	00
	65 Amount of line 63 to be applied to your 1982 estimated tax ▶	65				
	66 If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature　Date

▶ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature	Date	Check if self-employed ▶ ☐	Preparer's social security no. xxx xx xxxx
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040 IAN D. & ANN L. DUNN

Your social security number 010 | 99 | 0001

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) *(See page 17 of Instructions.)*

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		
2 Medicine and drugs . . .		
3 Enter 1% of Form 1040, line 31 . . .		
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		
5 Balance of insurance premiums for medical care not entered on line 1		
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc. . . .		
b Hospitals		
c Transportation		
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
7 Total (add lines 4 through 6d)		
8 Enter 3% of Form 1040, line 31 . . .		
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero		
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 . ▶	— • —	

Taxes *(See page 18 of Instructions.)*

11 State and local income	1170	
12 Real estate	347	
13 a General sales (see sales tax tables) .	228	
b General sales on motor vehicles . .		
14 Personal property	81	
15 Other (itemize) ▶		
SALES TAX - BOAT	171	
16 Total taxes (add lines 11 through 15). Enter here and on line 34 . . . . ▶	1997	

Interest Expense *(See page 18 of Instructions.)*

17 Home mortgage	1237	
18 Credit and charge cards		
19 Other (itemize) ▶		
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	1237	

Contributions *(See page 19 of Instructions.)*

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b) .		
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶		
22 Other than cash (see page 19 of Instructions for required statement)		
23 Carryover from prior years		
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶		

Casualty or Theft Loss(es) *(You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)*

25 Loss before reimbursement		
26 Insurance or other reimbursement you received or expect to receive		
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero . . .		
28 Enter $100 or amount from line 27, whichever is smaller		
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶		

Miscellaneous Deductions *(See page 19 of Instructions.)*

30 a Union dues		
b Tax return preparation fee	32	
31 Other (itemize) ▶		
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 . . . . ▶	32	

Summary of Itemized Deductions *(See page 20 of Instructions.)* **A**

33 Total medical and dental—from line 10 .		
34 Total taxes—from line 16	1997	
35 Total interest—from line 20	1237	
36 Total contributions—from line 24 . . .		
37 Total casualty or theft loss(es)—from line 29 .		
38 Total miscellaneous—from line 32 . .	32	
39 Add lines 33 through 38	3266	
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 . . . 1 or 4, enter $2,300 . . . 3, enter $1,700	(0	
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) . . . . . ▶	ES. ONLY)	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Form **2441**
Department of the Treasury
Internal Revenue Service (0)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See instructions below.

OMB No. 1545-0068
1981
26

Name(s) as shown on Form 1040: Tom D & Ann L. Dunn

Your social security number: 010 : 99 : 0001

1 See the definition for "qualifying person" in the instructions. Then read the instructions for line 1.

(a) Name of qualifying person	(b) Date of birth	(c) Relationship	(d) During 1981, the person lived with you for: Months	Days
Sue	1973	Son	12	
Sill	1970	DTR	12	

2 Persons or organizations who cared for those listed on line 1. See the instructions for line 2.

(a) Name and address (If more space is needed, attach schedule)	(b) Social security number, if applicable	(c) Relationship, if any	(d) Period of care From Month—Day	To Month—Day	(e) Amount of 1981 expenses (include those not paid during the year)
Day Care Center			9/1,	12/30,	400
Grandma		Mother	1/1,	2/28	172
Neighbor		No	3/1,	5/31	240
High School Girl		No	6/1,	8/30	260

To Figure Your Credit, You MUST Complete ALL Lines That Apply

3 Add the amounts in column 2(e)	3	1072
4 Enter $2,000 ($4,000 if you listed two or more names in line 1) or amount on line 3, whichever is less	4	1072
5 Earned income (wages, salaries, tips, etc.). See the instructions for line 5. An entry MUST be made on this line. (a) If unmarried at end of 1981, enter your earned income (b) If married at end of 1981, enter: (1) Your earned income . . . $ 12100 (2) Your spouse's earned income $ 6500 Enter the lesser of b(1) or b(2) ▶	5	6500
6 Enter the amount on line 4 or line 5, whichever is less	6	1072
7 Amount on line 6 paid during 1981. An entry MUST be made on this line ▶	7	1072
8 Child and dependent child care expenses for 1980 paid in 1981. See instructions for line 8	8	0
9 Add amounts on lines 7 and 8	9	1072
10 Multiply line 9 by 20 percent	10	214
11 Limitation: a Enter tax from Form 1040, line 37 . . . 11a 2014 b Enter total of lines 38, 39, and 41 through 43 of Form 1040 . . 11b 0		
c Subtract line 11b from line 11a (if line 11b is more than line 11a, enter zero)	11c	2014
12 Credit for child and dependent care expenses. Enter the smaller of line 10 or line 11c here and on Form 1040, line 40	12	214

13 If payments listed on line 2 were made to an individual, complete the following:	Yes	No
(a) If you paid $50 or more in a calendar quarter to an individual, were the services performed in your home?		
(b) If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 13)?		

(c) If answer to (b) is "Yes," enter your employer identification number ▶

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

General Instructions

If you or your spouse worked or looked for work, and you spent money to care for a qualifying person, this form might save you tax.

What is the Child and Dependent Care Expenses Credit?—This is a credit you can take against your tax if you paid someone to care for your child or dependent so that you could work or look for work. You can also take the credit if you paid someone to care for your spouse. The instructions that follow list tests that must be met to take the credit. If you need more information, please get Publication 503, Child and Disabled Dependent Care.

For purposes of this credit, we have defined some of the terms used here. Refer to these when you read the instructions.

Definitions

A qualifying person can be:

- Any person under age 15 whom you list as a dependent. (If you are divorced, legally separated, or separated under a written agreement, please see the Child Custody Test in the instructions.)
- Your spouse who is mentally or physically not able to care for himself or herself.
- Any person not able to care for himself or herself whom you can list as a dependent, or could list as a dependent except that he or she had income of $1,000 or more.

A **relative** is your child, stepchild, mother, father, grandparent, brother, sister, grandchild, uncle, aunt, nephew, niece, stepmother, stepfather, stepbrother, stepsister, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, and daughter-in-law. A cousin is not a relative for purpose of this credit.

A **full-time student** is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 1981.

What Are Child and Dependent Care Expenses?

These expenses are the amounts you paid for household services and care of the qualifying person.

Household Services.—These are services performed by a cook, housekeeper, governess, maid, cleaning person, babysitter, etc. The services must have been needed to care for the qualifying person as well as run the home. For example, if you paid for the services of a maid or a cook the services must have also been for the benefit of the qualifying person.

Care of the Qualifying Person.—Care includes cost of services for the well-being and protection of the qualifying person.

(Continued on back)

Form **2106**
Department of the Treasury
Internal Revenue Service (0)

Employee Business Expenses

(Please use Form 3903 to figure moving expense deduction.)

▶ Attach to Form 1040.

OMB No. 1545-0139

1981

Your name: Tom D. Dunn

Social security number: 010 99 0001

Occupation in which expenses were incurred: Inspector

Employer's name: Pest Control, Inc.

Employer's address: Portland, Oregon

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Instructions

Use this form to show your business expenses as an employee during 1981. Include amounts:

- You paid as an employee;
- You charged to your employer (such as by credit card);
- You received as an advance, allowance, or repayment.

Several publications available from IRS give more information about business expenses:

Publication 463, *Travel, Entertainment, and Gift Expenses.*

Publication 529, *Miscellaneous Deductions.*

Publication 587, *Business Use of Your Home.*

Publication 508, *Educational Expenses.*

Part I.—You can deduct some business expenses even if you do not itemize your deductions on Schedule A (Form 1040). Examples are expenses for travel (except commuting to and from work), meals, or lodging. List these expenses in Part I and use them in figuring your adjusted gross income on Form 1040, line 31.

Line 2.—You can deduct meals and lodging costs if you were on a business trip away from your main place of work. Do not deduct the cost of meals you ate on one-day trips when you did not need sleep or rest.

Line 3.—If you use a car you own in your work, you can deduct the cost of the business use. Enter the cost here after figuring it in Part IV. You can take either the cost of your actual expenses (such as gas, oil, repairs, depreciation, etc.) or you can use the standard mileage rate.

The mileage rate is 20 cents a mile up to 15,000 miles. After that, or for all business mileage on a fully depreciated car, the rate is 11 cents a mile. If you use the standard mileage rate to figure the cost of business use, the car is considered to have a useful life of 60,000 miles of business use at the maximum standard mileage rate. After 60,000 miles of business use at the maximum rate, the car is considered to be fully depreciated. (For details, see Publication 463.)

Caution: You cannot use the mileage rate for a leased vehicle.

Figure your mileage rate amount and add it to the business part of what you spent on the car for parking fees, tolls, interest, and State and local taxes (except gasoline tax).

Line 4.—If you were an outside salesperson with other business expenses, list them on line 4. Examples are selling expenses or expenses for stationery and stamps. An outside salesperson does all selling outside the employer's place of business. A driver-salesperson whose main duties are service and delivery, such as delivering bread or milk, is not an outside salesperson. (For details, see Publication 463.)

Line 5.—Show other business expenses on line 5 if your employer repaid you for them. If you were repaid for part of them, show here the amount you were repaid. Show the rest in Part II.

Part II.—You can deduct other business expenses only if (a) your employer did not repay you, and (b) you itemize your deductions on Schedule A (Form 1040). Report these expenses here and under Miscellaneous Deductions on Schedule A. (For details, see Publication 529.)

You can deduct expenses for business use of the part of your home that you exclusively and consistently use for your work. If you are not self-employed, your working at home must be for your employer's convenience. (For business use of home, see Publication 587.)

If you show education expenses in Part I or Part II, you must fill out Part III.

Part III.—You can deduct the cost of education that helps you keep or improve your skills for the job you have now. This includes education that your employer, the law, or regulations require you to get in order to keep your job or your salary. Do not deduct the cost of study that helps you meet the basic requirements for your job or helps you get a new job. (For education expenses, see Publication 508.)

Part IV, line 8—Depreciation

Cars placed in service before 1/1/81:

You must continue to use either the standard mileage rate or the method of depreciation you used in earlier years. You cannot change to either of the new methods available in 1981.

Cars placed in service after 12/31/80:

If you placed a car in service in 1981 and you do not use the standard mileage rate, you must use the new Accelerated Cost Recovery System (ACRS). One method lets you deduct the following percentages of your cost basis regardless of what month you placed the car in service:

1981—25%
1982—38%
1983—37%

Example: You bought a new car, without a trade-in, for $10,000 in September 1981, and used it 60% for business. Your basis for depreciation is $6,000 ($10,000 × 60%). For 1981 your depreciation deduction is $1,500 ($6,000 × 25%). If your percentage of business use changes in 1982, you must refigure your basis for depreciation.

There is also an alternate ACRS method under which you may use a straight-line method over a recovery period of 3, 5, or 12 years.

Note: *If you use the mileage rate, you are considered to have made an election to exclude this vehicle from ACRS.*

You do not have to consider salvage value in either of these methods. Please see Publication 463 for details on how to figure the deduction under either method.

PART I.—Employee Business Expenses Deductible in Figuring Adjusted Gross Income on Form 1040, Line 31

1 Fares for airplane, boat, bus, taxicab, train, etc.	
2 Meals and lodging	
3 Car expenses (from Part IV, line 21)	810
4 Outside salesperson's expenses (see Part I instructions above) ▶	
5 Other (see Part I instructions above) ▶	
6 Add lines 1 through 5	810
7 Employer's payments for these expenses if not included on Form W-2	
8 Deductible business expenses (subtract line 7 from line 6). Enter here and include on Form 1040, line 23	810
9 Income from excess business expense payments (subtract line 6 from line 7). Enter here and include on Form 1040, line 20	

PART II.—Employee Business Expenses that are Deductible Only if You Itemize Deductions on Schedule A (Form 1040)

1 Business expenses not included above (list expense and amount) ▶	
2 Total. Deduct under Miscellaneous Deductions, Schedule A (Form 1040)	

Form **2106** (1981)

PART III.—Information About Education Expenses Shown in Part I or Part II

1 Name of educational institution or activity ▶

Address ▶

3 Did you need this education to meet the basic requirements for your job? ☐ Yes ☐ No

4 Will this study program qualify you for a new job? ☐ Yes ☐ No

5 If your answer to question 3 or 4 is Yes, you cannot deduct these expenses. If No, explain (1) why you are getting the education, and (2) what the relationship was between the courses you took and your job. (If you need more space, attach a statement.) ▶

6 List your main subjects, or describe your educational activity ▶

PART IV.—Car Expenses (Use either your actual expenses or the mileage rate.)

	Car 1	Car 2	Car 3
A. Number of months you used car for business during 1981	12 months	months	months
B. Total mileage for months in line A	16000 miles	miles	miles
C. Business part of line B mileage	4000 miles	miles	miles

Actual Expenses (Include expenses on lines 1–5 for only the months shown in line A, above.)

	Car 1	Car 2	Car 3
1 Gasoline, oil, lubrication, etc.			
2 Repairs			
3 Tires, supplies, etc.			
4 Other: (a) Insurance			
(b) Taxes			
(c) Tags and licenses			
(d) Interest			
(e) Miscellaneous			
5 Total (add lines 1 through 4(e))			
6 Business percentage of car use (divide line C by line B, above)	%	%	%
7 Business part of car expense (multiply line 5 by line 6)			
8 Depreciation (see instructions on front) Caution: *If you use ACRS, skip line 9 and enter the amount from line 8 on line 10.*			
9 Divide line 8 by 12 months			
10 Multiply line 9 by line A, above			
11 Total (add line 7 and line 10; then skip to line 19)			

Mileage Rate

12 Enter the smaller of (a) 15,000 miles or (b) the combined mileages from line C, above		4000 miles
13 Multiply line 12 by 20¢ (11¢ if car is fully depreciated) and enter here		800
14 Enter any combined mileage from line C that is over 15,000 miles	miles	▨
15 Multiply line 14 by 11¢ and enter here		
16 Total mileage expense (add lines 13 and 15)		800
17 Business part of car interest and State and local taxes (except gasoline tax)		
18 Total (add lines 16 and 17)		800

Summary

19 Enter amount from line 11 or line 18, whichever you used	800
20 Parking fees and tolls	10
21 Total (add lines 19 and 20). Enter here and in Part I, line 3	810

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-142 [illegible]

FORM
40NR

OREGON INDIVIDUAL INCOME TAX RETURN

PART-YEAR RESIDENTS AND NONRESIDENTS ONLY

1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name: Dunn
First name and initial: Tom
Social Security number: 010 99 0001
Spouse's last name if different and joint return:
Spouse's first name and initial if joint return: Ann L.
Spouse's Social Security number: 001 9d 9990
Mailing address: 100 2nd. Ave
Telephone number: 672-8000
City: Old Creek
State: WA.
ZIP Code: 98000
County: Clark

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No If NO, give reason: ____________

For office use only

☒ Nonresident
☐ Oregon resident from ______ to ______ 1981

• Filling Status

Check only one box
1 ☐ Single
2 ☒ Married filing jointly
3 ☐ Married filing separately ____________ (Spouse's name)
4 ☐ Unmarried head of household ____________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse	X				1
Dependents (First names)	Sue Bill				2
Total exemptions claimed •					4

Attach W-2 wage slips and payment here

INCOME

		Total on your federal return	Oregon portion
1 Wages, salaries and other pay for work. **Attach W-2 wage slips**	1	19,600	19,600
2 Interest 2a ______ PLUS dividends 2b ______ MINUS exclusion 2c ______	2		
3 State and local income tax refunds	3	150	-0-
4 Alimony received	4		
5 Business income or loss from federal Schedule C	5		
6 Capital gain or loss from federal Schedule D	6		
7 40% of capital gain distributions not reported on Schedule D	7		
8 Supplemental gains or losses from Form 4797	8		
9 Pensions and annuities. Total of federal Form 1040 lines 15 and 16b	9		
10 Rents, royalties, partnerships, estates or trusts, from Schedule E	10		
11 Farm income or loss from federal Schedule F	11		
12 Taxable unemployment and other taxable income from your federal return	12		
13 Total income. Add lines 1 through 13	13	19,750	•13 19,600

ADJUSTMENTS TO INCOME

14 Moving expenses from federal Form 3903 or 3903F	14		
15 Employee business expenses from federal Form 2106	15	810	810
16 Payments to an IRA or Keogh plan	16		
17 Interest penalty on early withdrawal of savings	17		
18 Alimony paid	18		
19 Disability income exclusion and other adjustments from federal Form 1040	19		
20 Total adjustments to income. Add lines 14 through 19	20	810	810
21 Income after adjustments. Line 13 minus line 20	21	18,940	18,790

OREGON CHANGES TO INCOME

		Federal Portion	Oregon portion
22 Interest received from All Savers Certificates	• 22		
23 Changes in depreciation for Oregon	• 23		
24 Other Oregon changes to federal income. Identify ____________	• 24		
25 Total Oregon changes. Add lines 22, 23 and 24	25		•25
26 Income after Oregon changes. Add lines 21 and 25	26a	18,940	•26b 18,790

27 **Oregon percentage.** Fill in the boxes below.

Line 26b	Divided by	Line 26a	Equals		Oregon %
18,790	÷	18,940	=	27	99.21 (Not more than 100%)

NOW GO TO THE BACK OF THE FORM →

150-101-046 (9-81)

28	Amount from front of the form, line 25b		28 [illegible]

ADDITIONS

29	Interest on municipal bonds of states other than Oregon	• 29	
30	Other additions. Identify ______________	• 30	
31	Total additions. Add lines 29 and 30		31
32	Income after additions. Line 28 plus line 31		32 18,790

SUBTRACTIONS

33	Interest from U.S. Government, such as Series E and H bonds	• 33	
34	U.S. public retirement income, not more than $3,400. See instructions, page 16	• 34	
35	Military active duty pay, not more than $3,000. See instructions, page 16	• 35	
36	Oregon public retirement income	• 36	
37	Other subtractions. Identify ______________	• 37	
38	Total subtractions. Add lines 33 through 37		38
39	Income after subtractions. Line 32 minus line 38		39 18,790

DEDUCTIONS AND EXEMPTIONS

Deductions. Fill in lines 40, 41, & 42 OR only line 43

40	Itemized deductions from your federal Schedule A, line 39	• 40 3266	EITHER, NOT BOTH
41	State income tax claimed as an itemized deduction. See instructions, page 18	• 41 1170	
42	Net Oregon itemized deductions. Line 40 minus line 41	42 2096	
43	Standard deduction from table on page 23	43	
44	1981 federal tax (Maximum $7,000 OR $3,500 if married filing separately)	• 44 1800	
45	Exemptions. $1,000 multiplied by your number of exemptions	45 4000	
46	Total deductions and exemptions. Add lines 42, 44 and 45 OR lines 43, 44 and 45	46 7896	
47	Allowable percentage from the front of the form, line 27	47 99.21%	
48	Allowable deductions and exemptions. Multiply line 46 by line 47		48 7834
49	Oregon taxable income. Line 39 minus line 48		• 49 10956

OREGON TAX

50	Oregon tax from rate chart, page 23	• 50 786	
51	Minimum Tax. Attach Schedule M if you must pay this extra tax	• 51	
52	Total tax. Add line 50 and line 51		52 786

CREDITS

53	Credit for the elderly. See instructions, page 19	• 53	
54	Child care credit. See instructions, page 19 214 x 40% x 99.21%	• 54 85	
55	Credit for income tax paid to another state. Attach proof. See page 20	• 55	
56	Political contribution credit. Attach copy of receipt or canceled check	• 56	
57	Other credits. Identify ______________	• 57	
58	Total credits. Add lines 53 through 57		58 85
59	Net income tax. Line 52 minus line 58. If line 58 is more than line 52, enter -0-.		59 701

TAX PAYMENTS MADE IN 1981

60	Oregon income tax withheld from wages. Attach W-2 wage slips	• 60 1170	
61	Estimated tax payments for 1981	• 61	
62	Total tax already paid. Add line 60 and line 61		62 1170
63	Refund. If line 62 is more than line 59, you have a refund. Subtract line 59 from line 62		• 63 469
64	ESTIMATED TAX. Fill in all or part of line 63, you want to apply to your estimated 1982 tax	• 64	
65	NET REFUND. Subtract line 64 from line 63. This is your refund		• 65 469 00
66	Tax-to-pay. If line 59 is more than line 62, you have tax-to-pay. Subtract line 62 from line 59		• 66
67	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check ☐. See page 22 of instructions.		• 67

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ______________ Date

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ______________

Signature of preparer other than taxpayer ______________ License no.

Address ______________

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

150-101-040 (9-81) PAGE 2

SESSION XIX
FINAL EXAMINATION

READING ASSIGNMENT: Review of all material

Forms Required for Class Handouts:

For Situations in Student Workbook:

1040 (3)
A (3)
C (1)
SE (1)
R (1)
3468 (1)
4562 (1)
5695 (1)
2441 (1)

40 (3)
70R (3)
70R renter worksheet (1)
Oregon 10 (2)
Oregon depreciation schedule (1)

For Final Examination:
1 each: G; A; B; D; 40; 3903; 2119; 4255; 4684; 4797; 4562; Oregon Depreciation Schedule. 2 each: R,2038

I. Review

A. Spend little time in review but answer any questions students may have at this time prior to examination.

II. Teaching Hints:

A. Tax return situations have been included in the Student Workbook for this session. At your option you can have them turned in for grading or you can use them for the next session for review with the students. (Solutions are at Session XX)
These could have been assigned at any time during the course.

B. The examination should be given in two parts:
1. Question portion
2. Smoke and coffee break
3. a) Problem portions. If forms are required, they should be allowed to the studnet with this portion, rather than at the beginning of the exam, so that answers would not be available to them.

b) If tax tables or worksheets are needed for the problems, provide them with the material so that books will not be needed.

4. You may wish to split the final examination between two sessions, giving the questions in Session XIX and the problems in Session XX. This allows the students more time and less fatigue. However, an important factor is the time needed to review the final with the students. If used in Session XX, half the time should be alloted to the working of the problem and the last part of the session given to the review of the problems.

SESSION XIX
FINAL EXAMINATION

1. Mr. and Mrs. A received the following interest income during 1981:

   Savings account, $1,000
   Treasury notes, $2,000
   Municipal bonds issued to build a highway, $3,000

   They should report $____ in gross income on a joint return.

2. Which of the following does not have to be included in gross income?

   a. Jury fees
   b. Proceeds from a personal injury suit
   c. Prize--church raffle
   d. Gambling winnings
   e. The value of an apartment in which you live rent-free in exchange for your accounting services to the owner

3. Mr. A, an employee of X Corporation, received the following benenfits from his employer during 1981.

   Salary, $15,000
   Vacation allowance, $800
   Moving expense reimbursement, $1,200
   Christmas turkey (value), $25
   $30,000 qualified group term life insurance, $150
   How much is includible in Mr. A's gross income?

   a. $15,000
   b. $15,800
   c. $17,000
   d. $17,025
   e. $17,175

4. True or False:

   Married persons living apart may file as "single" or" hea of household" if they separate during the year and subsequently pay their own personal living and household expenses.

5. True or False:

   For purposes of determining support, the divorced parent who has custody of a child for the greater part of a year is always considered to have contributed more than half the child's support.

6. True or False:

An executor may elect to file a joint return for the y of death for a decedent and the surviving spo providing the surviving spouse has not remarried and elects to file a joint return.

7. Mr. A was divorced on July 1, 1981. He made the following payments to his ex-spouse according to his decree of divorce:

Payments for children's welfare,	$3,000
Lump sum cash settlement,	$6,000
Indefinite periodic payments,	$8,000
Repayment of loan from ex-spouse,	$10,000

Mr. A may claim an alimony adjustment of $_____for 1981.

8. True or False:

A person who accepts a job at a new location cannot qualify to deduct moving expenses if that person did not have an old place of work.

9. A deduction is allowable for a payment to an individual retirement plan but is limited to the smallest of:

   a. Actual contribution
   b. $1,500
   c. 15% of compensation
   d. All of the above

10. True or False:

A donation made to the taxpayer's local chamber of commerce is a deductible charitable donation.

11. Which of the following qualify as deductible medical expenses?

   1. Payments to physician
   2. Payments for face-lifting operation
   3. Medical portion of your auto insurance premium (although not separately stated)
   4. Payments for acupuncture service
   5. Domestic help

      a. 1,3, and 5
      b. 2 and 4
      c. 1
      d. 1,2, and 4
      e. 1 and 4

12. Which of the following payments may be deductible as interest expense on Schedule A?

1. Bank service charges
2. Interest on bank loan to buy furniture
3. Mortgage interest on personal residence
4. Points paid as a premium charge in obtaining a mortgage on a personal residence
5. Points paid to sell personal residence

a. 1,3, and 4
b. 2,3, and 5
c. 3,4, and 5
d. 1,2, and 3
e. 2,3, and 4

13. Mr. B bought land and a building to be used in his business. In connection with this acquisition, he paid $50,000 to the seller as the purchase price of the property, $5,000 to his attorney for reviewing the pruchase contract, and $3,000 to the seller for property taxes incurred up to the date of sale. Mr. B's cost basis in the property is $ __________.

14. Which of the following assetscannot be depreciated or amortized?

a. Machinery used in a business
b. Land upon which a factory is built
c. Leasehold used in a business
d. Copyright used in a business
e. Auto used by business owner in a business

15. Which of the following factors is not important when determining the useful life of an asset? (Oregon)

a. How long you expect to use it
b. Its age when acquired
c. Your policy as to repairs, upkeep, and replacement
d. The term of the loan used to acquire the asset
e. General experience in the industry
f. All of the above

16. True or False:

The land and buildings used in a trade or business are capital assets.

17. True or False:

If a principal residence is sold for $90,000, and [illegible] replacement residence is acquired within twenty-four mo[illegible] of the sale for $90,000, the nonrecognition of gain on the sale is mandatory.

18. True or False:

The installment sales rules apply to trades of like kind property if an installment note is recieved in additon to the property.

19. True or False:

You failed to keep adequate records to support an element of an entertainment expendiutre. You can establish the element by your own oral statement containing specific details of the expendirue and by other supporting evidence.

20. True or False:

To substantiate a deduction for travel or entertainment, a taxpayer does not have to retain any information on any expenditure that is less than $25.

21. True or False:

Mr. G opened a small grocery store in 1981. The state of inventory is an income-producing factor. Mr. G may select either the cash or accrual method of accounting for his grocery business.

22. True or False:

Even after the cost or other basis of depletable property has been recovered, cost depletion deducitons still may be claimed.

23. You rent out one-half of the dwelling in which you live. Expenses attributable to the entire dwelling for 1981 are as follows:

Depreciation, $1,000
Repairs, $200
Real estate taxes, $900
Interest on mortgage, $1,600
Utilities, $500

Figure the total expenses deductible on Schedule E (Form 1040) as rental expenses and the total deductible on Schedule A (Form 1040) as itemized deductions:

	Schedule E	Schedule A
a.	$2,100	$1,250
b.	$1,250	$1,250
c.	$4,200	$-0-
d.	$2,100	$2,100
e.	$3,350	$850

24. Mrs. A began renting her former residence on July 1, 1981 On that date the house (excluding the land) had an adjusted basis of $31,000. The fair market value of the property on the same date was $38,000; $30,000 pertained to the house and $8,000 to the land. What basis should Mrs. A use for computing depreciation?

a. $23,000
b. $30,000
c. $31,000
d. $38,000
e. -0-

25. Which of these are taxable on your Oregon return, but not taxable on your federal return?

a. Port of Seattle bond interest
b. Series E bond interest
c. City of Medford bond interest
d. AT&T debenture bond interest

26. What is the maximum amount of federal income tax you can deduct on an Oreon return for an individual filing married separately?

a. $5,000 b. $3,500 c. $7,000 d. $3,000

27. True of False:

"Gross receipts" and "gross profit" are synonymous terms in a business that sells only services.

28. What is the maximum amount of Oregon standard deduction for a single taxpayer?

a. $1,050 b. $2,300 c. $1,500 d. $1,700

29. How much is the credit for the loss of two limbs on an Oregon return?

a. $100 b. $25 c. $50 d. $1,000

30. Which of these items are not deductible as farm expenses?

a. Repairs and maintenance
b. Land clearing expenditures
c. Farm organization dues
d. Rent paid in crop shares

31. Ron purchased his personal residence in 1976 for $60,000. He used one-fifth of the house for business purposes. The land value was $10,000. Ron used the straight-line depreciation method with a life of 25 years. In 1981 Ron sold the house for $50,000. What was his deductible loss on this sale?

a. $10,000
b. $8,000
c. $4,000
d. $2,000
e. none

32. Sue raises and breeds pure bred dogs at her kennel. She has been in this busines for eight years, but has never earned a net profit. From the following information about her income and expenses, determine the amount of depreciation that she can claim this year.

Income		$4,000
Operating expenses	$3,000	
Interest	200	
Taxes	200	
Depreciation	1,500	4,900
Net loss		$ (900)

a. $1,500
b. $1,000
c. $900
d. $600
e. none

33. Which of the following items is not deductible when computing a net operating loss?

a. Moving expenses
b. Loss on rental property
c. Capital gains deduction
d. Employee business expenses
e. Theft losses

34. True or False:

Mr. A, age 30 and an attorney, received a fee of $30,000 in 1981 for services rendered a client during 1980 and 1979. Mr. A is a citizen of the United States and graduated from law school in 1976. From 1977 through 1980 Mr. A received over 50 percent of his support from his father. A's taxable income for these years was:

1977--$800; 1978--$1,000; 1979--$1,500; 1980--$2,000

Mr. A's taxable income for 1981 is $50,000. A is entitled to income average for 1981.

35. A taxpayer, age 62, retired with a U.S. civil service pension may deduct up to what amount on the Oregon return:

a. -0- b. $2,400 c. $3,400 d. all taxed on federal

36. If you are unable to itemize your deductions on your federal return:

a. You may use itemized deductions on your federal return
b. You must use the standard deduction on your Oregon return
c. Must use itemized deductions on your Oregon return
d. May use the standard deduction on your Oregon return

37. During 1981 Mr. W had earned income of $5,000. Mrs. W had earned income of $3,000. Their qualifying work related child care expenses were $4,000. They may figure their child care credit based on $________________.

38. True or False:

To qualify for the credit for the elderly, you must be 65 or older.

39. Which of the following prevents property from qualifying for the investment credit for 1981?

a. It is depreciable
b. It has a useful life of 4 years
c. It is tangible personal property
d. It was placed in service in a trade or business on December 31, 1980.
e. It was used exclusively in the United States

40. True or False:

For 1981, Mr. B has determined his estimated tax to $2,400. On April 15, 1981, he files a declaration with payment of $600. On May 15, Mr. B amends his 1981 tax estimate to $1,200, due to chanes in anticiapted income. He must file an amended declaration on June 15, 1981, with payment of $200. The remaining payments of $200 each are due September 15, 1981, and January 15, 1982.

41. To qualify for Oregon licensing, an applicant must meet which of the following requirements:

a. not less than 16 years of age
b. not less than 17 years of age
c. be a U.S. citizen
d. have a high school dipoloma or equivalency
e. prepare tax returns in the last five (5) years

42. Which of the following will prevent a taxpayer from claiming the earned income credit?

a. Filing a separate return
b. Not meeting gross income filing requirements
c. Earned income of $6,500
d. Maintaining a household for a 21-year-old child who is a student

43. Which of the following are not tax preference items the regular minimum tax?

a. Accelerated depreciation on real property
b. Capital gain deduction
c. Excess amortization
D. Accelerated depreciation on leased property
e. Adjusted itemized deductions

44. How many tax dollars may a husband and wife designate for the Presidential Election Campaign Fund on a joint return? $__________

45. True or False:

H and his spouse W file a joint return. H has net earnings from a sole proprietorship of $35,000. H and W may split the $35,000 and file separate Schedules SE (Form 1040) in order to provide social security coverage for W.

46. True or False:

If you are married and file a separate return, you do not have to show your spouse's social security number on your return.

47. Which of the following does not require a schedule attached to Form 1040?

a. $306 net profit from a business
b. $5,600 capital loss carryover from earlier year
c. $301 interest income from a savings account
d. $9,000 unreimbursed loss from a fire
e. $75 credit for the elderly

48. On April 10, 1980, Billy Jones filed Form 4868 and got an automatic extension of time to file his return. Because he thought his payments would cover his tax, he did not pay anything with the extension form. When he filed his return on June 1, 1980, his tax was $3,109, and his payments came to $2,842. Billy paid the $267 balance with his return. He also has to pay:

1. $2.67 failure-to-pay penalty
2. $26.70 failure-to file penalty
3. $31.09 failure-to-pay penalty
4. $4 interest (based on 12% yearly rate for 1 mo. and 16 days on $267)
5. $46.63 interest (based on 12% yearly rate for 1 mo. and 16 days on $3,109)

a. 1,2, and 4
b. 1 and 4
c. 3 and 5
d. 4 only
e. 5 only

49. T F A taxpayer does not have to file an Oregon return if a federal return is not required.

50. T F A married person, under certain circumstances, may be considered unmarried for tax purposes.

51. Who must file a joint return? ________________________

52. T F You can round off all the fingures on the tax return, including the tax computation.

53. A timely filed 1981 tax return can be amended from separate to joint:

a. anytime
b. before April 16, 1985
c. before April 15, 1982
d. Never

54. On 12/31/81, a cash-basis taxpayer hand delivers a currently dated check to A (also on the cash method). A doesn't cash the check until 1/4/82.

a. Assuming the check was in payment of a business expense, when does the taxpayer take a deduction for payment and when does A report the money in income.
b. Does it make any difference if taxpayer had no funds in his checking account at the time the check was delivered to A?

55. Additional taxes that can be added to the federal tax in computing the Oregon federal tax deduction are:

a. Self-employment tax
b. FICA on tips
c. Recapture of investment credit
d. Minimum tax
e. Alternative minimum tax
f. All of the above

56. T F IRA contributions by employer to employee IRAs are includable in the employee's gross income.

57. Taxpayer purchased an annuity for $20,000. The expected total payout on the contract is $30,000. For 1981 taxpayer received $1,200 in annuity payments. What amount, if any, must taxpayer include in income?

a. $1,200 b. $800 c. $400 d. -0- e. none of the

58. On 1/1/79 employee retired and immediately started receiving annuity payments from his employer's qualified retirement plan. Of the total $20,000 contributions, employee contributed $5,000. Assuming a total expected payout of $40,000 and monthly payments of $200, what amount, if any, can employee exclude in 1981?

a. $2,400 b. $1,800 c. $1,200 d. $200 e. -0-

59. T F Taxpayer's exclusion ratio of 85% was based on a life expectancy of 15 years at the time the annuity payments started. If he lives more than 15 years, the exclusion ratio must be recomputed.

60. T F Taxpayer is the survivor annuitant under spouse's joint and survivor annuity. If spouse had to exclude payments under the 36-month rule, taxpayer would only be allowed to exclude the spouse's unrecovered cost.

61. Are any of the following taxpayers eligible to elect the automatic mileage allowance for business-related miles traveled:

a. Taxpayer who has taken straight-line depreciation on his car
b. Taxpayer who has taken straight-line depreciation and the prior law's additonal first-year 20% allowance
c. Taxpayer who had selected an accelerated method of depreciation in a prior year
d. Taxpayer who has fully depreciated his car under the straight-line mehtod
e. Taxpayer who has used ACRS depreciation

62. T F If the ACRS accelerated method is used, all gain on the dispositiion of nonresidentila realty is recaptured as ordinary income to the extent of the deductions taken. However, recapture applies to the disposition of residential realty only to the extent that the deductions taken exceed the deductions that would have been taken if the property had been depreciated under the straight-line method over 15 years.

63. T F If taxpayer acquired property from a decedent by inheritance, his basis is determined by reference to the decedent's adjusted bassis.

64. If you convert your personal residence to rental use, basis for depreciation is the lesser of ______________ or ________________.

65. T F The basis of property must be increased by the amount of receipts that represent a return of capital.

66. T F Taxpayer acquired rental property by gift. The adjusted basis of the property in the hands of the donor was $25,000, the original cost to the donor was $45,000 and the FMV at the date of the gift was $33,000. What is taxpayer's basis in the property (disregarding gift tax?

a. $8,000 b. $33,000 c. $25,000 d. $45,000 e. $20,000

67. T F If taxpayer received property by gift in 1981, the basis of the property is increased by the gift tax paid by the donor.

68. Which of the following transactions is not subject to tax-free teatment?

a. Exchange of common stock for common stock in the s corporation
b. Exchange of personal residence
c. Transfer of property to newly formed cororation by sole shareholder
d. Sale of corporate stock held more than one year
e. Like-kind exchange of property held for investment

69. Taxpayer sold his personal residence on 9/4/81, and had $30,000 long-term capital gain. The $18,000 capital gain deduction must be included as an item of preference in computing taxpayer's alternative minimum tax. T F

70. T F In May, 1981, a 58-year-old taxpayer sells his residence that cost $40,000 20 years ago for $170,000 and purchases a condominum for $60,000. He can exclude $125,000 of his gain under the 55-year-old exclusion but cannot defer any of the remaining $5,000 gain under the sale-and-replacement rules.

71. Taxpayer has a long-term capital gain of $1,000 and a long-term capital loss of $6,500 in 1981. His net capit loss deduction against ordinary income for 1981 is:

a. $2,000 b. $2,500 c. $3,000 d. $5,500 e. $2,750

72. T F The holding period of an asset is calculated counting the day the asset was acquired up to and including the day the asset is disposed of.

73. A depreciable asset used in a trade or business is o could be:

a. a capital asset
b. a Section 1231
c. a Section 1245 asset
d. a and b
e. b and c

74. A non-business bad debt is always reported on Schedule ____ as a __________.

75. T F Taxpayer's only capital gains transaction for the year is a capital gain distribution from a mutual fund. He computes the taxable amount of the distribtuion on Schedule D.

76. Taxpayer has maintained a stamp collection as a hobby. In 1981 he sells the collection for $7,000. Which of the following statements is most likely to apply?

a. he may have ordinary income
b. he may have a capital gain
c. he may have an ordinary loss
d. he may have a capital loss
e. there is no tax consequence on the sale of a hobby

77. On 4/1/80 taxpayer bought XYZ stock for $3,000. On 4/2/81 he sold all the stock for $4,000 and used all the proceeds to buy RST stock the same day. Which of the following statements is true?

a. taxpayer has a $1,000 long-term capital gain
b. taxpayer has a $3,000 short-term capital gain
c. the transaction is a tax-free exchange of stock
d. taxpayer's basis in the RST stock is $3,000
e. c and d

78. Taxpayer's personal car was stolen on 2/13/80 and he received an insurance settlement on 5/1/80 resulting in a gain. Taxpayer may elect to psotpone the gain realized if the property is replaced no later than:

a. 2/13/81
b. 5/1/81
c. 12/31/81
d. 12/31/82
e. 12/31/83
f. the gain may not be postponed, it is taxable in 1980

79. T F If taxpayer's two-family house is used partly as his personal residence and partly as income producer, he doesn't qualify for any tax-free treatment when he sells it at a gain and buys a one-family condominium.

80. T F If taxpayer, age 70, sold his home in 1977 and elected to exclude $35,000 under the old once-in-a-lifetime elderly exclusion, he may not take advatage of the new $125,000 exclusion if he should sell another residence in the future.

81. Taxpayer sold his principal residence at a gain on 10/1/81. He can defer all or part of his gain if he buys a replacement residence within __________ before or after the sale. (federal)

82. To qualify as residential rental property, what percentage of the gross rental income must be derived from dwelling units?

a. 80% b. 75% c. 60% d. 51% e. none of these

83. In 1981 Mr. Owner rented out his summer cottage for two months (for $2,800) and used it himself for one month. If Owner's expenses included $1,200 of mortage inter and taxes, $750 of utilities and maintenace and $1,200 depreciation, what is Owner's net rental income?

a. $2,800 b. $1,600 c. $700 d. $550 e. -0-

84. T F The income an artist derives from his or her copyright is always taxed as ordinary income.

85. T F Taxpayer purchases a copyright from the creating artist and receives payments for the use of the copyrighted work. These payments are also always taxed as ordinary income.

86. As a general rule, cash-basis farmers cannot currentl deduct the cost of items purchased for resale unless those items are resold in the year of purchase. However, there is an exception for:

a. the cost of hens purchased for egg production
b. the cost of chicks purchased for raising purposes
c. the cost of seeds
d. the cost of young plants (except Christmas trees and orchards)
e. all of the above

87. T F In 1981, cash-basis farmer sells "extra" livestock because of a drought in his area that is eligible federal assistance. Farmer can elect to defer reporting the excess sale proceeds over normal amounts until the following year.

88. T F Crop insurance proceeds must be reported in the year the crops are destroyed, unless a cash-basis farmer can show the income from the crops would have normally been reported in the following year.

89. T F Farmer leases a portion of his land to tenant who pays rent in the form of crop shares. Whether farmer is on the cash basis or accrual method of accounting, he must take the crop shares into income in the year they are reduced to cash or cash equivalents, and not as earned.

90. Farmer grants third party an easement over ten acres of his land, in exchage for the sum of $15,000. Assume the ten acres cost farmer $7,000 some years ago. He has income of:

a. $15,000 all ordinary income
b. $15,000 all long-term capital gain
c. $8,000 all ordinary income
d. $8,000 all long-term capital gain
e. -0-

91. T F The earned income credit must be subtracted from the federal income tax in computing the Oregon federal tax deduction.

92. On 7/1/81 cash-basis farmer pays $1,200 for crop insurance coverage from 7/1/81 through 6/30/83. What is farmer's crop insurance deduction in 1981?

a. $1,200 b. $600 c. $300 d. none of these

93. T F In the normal course of business, farmer makes advace payments for the purchase of feed to his livestock in late 1981. Assuming no taxable avoidance or material distortion of income problems, farmer can deduct the full amount of feed payments in 1981.

94. In 1977 Farmer Smith took advantage of the soil and water conservation expense rules and deducted currently $7,000. In 1981 Smith sold the improved acreage at a $20,000 profit. How is the gain taxed?

a. $20,000 long-term capital gain
b. $13,000 long-term capital gain
c. $13,000 long-term capital gain and $7,000 ordinary income
d. $13,000 long-term capital gain and $7,000 short-term capital gain
e. none of the above

95. Which of the following farm assets qualify for the investment credit?

a. livestock (other than horses)
b. fences to protect cultivated areas
c. pavement to keep animals out of mud
d. all of the above
e. a and b

96. Which of the following taxpayers are eligible to elect income averageing if their averagable income exceeds the $3,000 requirement:

a. married couple, each 25, and neither has been a full-time student for 3 years

b. a new taxpaying author, whose 1981 income (from royalties) is entirely attributable to labors performed in 1979 and 1980

c. a married couple, where husband has not furnished or more of his support for any base period year and he has not contributed more than 15% of their AGI for the computation year

d. both a and b

e. both b and c

97. On 7/1/80, employee receives a lump-sum distribution, including employer stock. The stock was worth $15 a share on the distribution date (employee's basis from the plan $5). If employee sells the stock for $18 a share on 6/30/81. What is the breakdown on employee's gain?

98. Taxpayer contributes $1,500 to an IRA in 1981 when only $1,200 was properly deductible. Assume taxpayer files the automatic two-month extension and withdraws the excess $300 in late May of 1982. How much excise penalty tax will taxpayer have to pay when he files his return?

99. A married couple contributes $200 to their favorite political party in 1981. How much of a credit can they take for political contributions in 1981?

Federal $______________ Oregon $ ______________

100. T F Employment-related expenses paid to the taxpaye mother qualify for the child-care credit, if pare is not a dependent of the taxpayer, whether or not the payments are subject to social security.

101. T F In the case of investment credit property placed i service after 1980, the full cost of 5-year recovery property qualifies for the credit but only 60% of the cost of 3-year recovery property qualifies.

102. Calendar-year taxpayer purchases a new machine for his business in late December, 1981. But he does not place the machine in service until January of 1982. Which year is taxpayer entitled to take an investment credit for the purchase?

103. Taxpayer claimed a $300 residential energy credit on his 1980 return. In 1981, taxpayer sold his principal residence, bought another one and spent $1,200 for storm doors and windows. How much can taxpayer claim as a residential energy credit for 1981?

104. T F Husband and wife who paid joint estimated tax throughout 1981 decide to file separately. Each spous must claim the amount he or she 'paid'.

105. Head of household with one dependent minor child earns $5,000 (also AGI)
   a. What is taxpayer's earned income credit for 1981?
   b. If income tax liability were only $100, what would be refunded?

106. Earned income, for purposes of the earned income credit, includes:

   a. wages and salaries
   b. tips
   c. net earnings from self-employment - even if determined under the optional method of computing self-employment tax in a year a net loss is suffered
   d. all of the above
   e. just a and b

107. T F Declaration of estimated tax on Form 1040-ES must be filed by the 15th day following the end of each quarter in the taxpayer's tax year.

108. Taxpayer's 1981 tax comes to $9,000, earned ratable over the year. Will taxpayer be liable for the underpayment of estimated tax penalty if he paid $1,500 in estimated tax on each quarterly installment due date and his total 1980 tax was $6,000?

109. Taxpayer's liablility for 1981 comes to $8,000. However for 1980 taxpayer's business was run at a net loss so that his adjusted gross income for 1980 was less than zero. Is taxpayer liable for an underpayment penalty?

110. T F Calendar-year farmers and fishermen do not have t file their 1982 estimated tax declarations and payments until January 15, 1983?

111. T F To avoid the underpayment of estimated tax penalty, farmers and fishermen need only pay two-thirds of the total tax due with their declaration of estimated tax. Further, they have the same escape hatches from estimated tax underpayment penalty as other taxpayers.

112. T F Foreign taxes can be subtracted from Oregon in addition to the federal tax subtraction with no limit on foreign taxes claimed.

113. T/P, age 64, is retired with an Oregon State Employees Retirement pension. What amount of the pension can be subtracted on the Oregon return?

a. up to $2,400
b. none, taxpayer is too young
c. up to $3,400
d. the entire amount received
e. the exclusion has already been taken on federal, no adjustment necessary on Oregon
f. the entire amount included in the federal AGI
g. $3,400

114. Which of the following are not taxable on your Oregon return?

a. Series E bond interest
b. Interest on second trusts and notes
c. Interest on Washington state bonds
d. Capital gain dividends

115. Which of the following would NOT be included in household income on Form 70R:

a. disability pay
b. GI Bill for education support
c. gifts of $400
d. grants for education of $2,000
e. food stamps and surplus food
f. child support
g. return of capiatal dividends
h. $200 dividend exclusion
i. inheritances
j. costs in your pension
k. reimbursed medical expenses

116. To compute household income for 70R:

a. You use only your income from wages, interest and self-employment
b. You use the total household income of both you and your spouse
c. You use the total household income, yourself, your spouse, your sons and dependent brother who lives with you
d. You include your income and your girlfriend's who lives with you the entire year
e. You use your income only, you are married filing a separate return and your wife did not live with you the first six months of the year

117. How many days does an applicant have to apply for a state tax preparer of consultant examination.

a. 15 days b. One month c. Two months d. 20 days

118. Each tax preparer shall display the evidence of the license issued to them in accordance with rules adopted by the board:

a. in the general work area of their office
b. in the main office of his employer's company
c. the tax preparer's license belongs to the employer and is displayed in the employer's office

119. A licensee must return a taxpayer's personal papers:

a. when the tax preparation fee has been paid
b. when the taxpayer requests them
c. when the taxpayer requests them
c. only when a court subpoena's them
d. when the taxpayer requests them in writing

120. Tax season as described by the tax service law is the period
a. starting Jan. 15 and ending April 15
b. starting Jan. 1, and ending April 15
c. starting Jan. 15 and ending June 15
d. starting Jan. 1 and ending April 30

121. Fees in the connection with preparation of tax returns:

a. Must be stated separately from and in addition to, any other professional services performed
b. May be combined with other professsional services provided
c. Must not exceed certain limits prescribed by the "Board"
d. Must conform to the new Federal laws

122. How long does a person incurring a penalty from the State Board of Tax Service Examiners have from date of the notice to make written application for a hearing before the board?

a. 30 days b. 15 days c. 10 days d. 20 days

123. A tax Consultant shall provide:

a. a year-round phone number and address where clie may contact the LTC in event of a problem
b. a phone number and address where clinets can reach the LTC during tax season only
c. As long as clients know how to locate the Tax Consultant, the Board does not need to be notified.
d. Tax Consultants do not need to provide an address for year-round problems.

124. A licensee who finds that the client had not complied with the law or has made an omission or error from a return or other paper, shall:

a. Call IRS and report the client
b. Ignore the situation sice the licensee is not liable.
c. Promptly adivse the client of such a non-compliance error or omission
d. None of the above

125. The maximum penalty that can be assessed by the State Board of Tax Service Examiners for each violation:

a. $500 b. $2,000 c. $1,000 d. $100 e. No maximum

126. To maintain an active license, the State Baord requires you to:

a. get 60 hours continuing education every year plus p a renewal fee annually
b. get 20 hours continuing education every year, plus pay a renewal fee annually
c. get 60 hours continuing education every three years, with a minimum number of hours required each year, plus pay renewal fee annually
d. none of the above

127. The State Board of Tax Service Examiners may refuse t issue or renew or may suspend or revoke a license, or may reprimand any person licensed as a tax preparer or Tax Consultant for which of the following reasons:

a. Resolving doubt in favor of the client as long as there is reasonable support for the position
b. Stating fees for tax return preparation separately, and in addition to other professional service charges
c. Providing a year-round phone number and address where clients and the Board may contact the licensee.
d. None of the above

128. A "Tax Conslutant" must keep records of all personal income tax returns completed by the business for at least:

a. 6 years b. 4 years c. 5 years d. 3 years

129. To qualify for licensing, as an applicant, you must meet the following requirement:

a. be no less than 18 years of age
b. successfully complete not less than sixty(60) hours in basic personal income tax law, theory, and practice.
c. have a high school education or equavalency exam
d. all of the above

130. A Licensed Tax Consultant can allow:

a. Any person to prepare income tax returns under their supervision
b. Only tax preparers to practice under their supervision.
c. Either Tax Consultants or tax preparers to practice under their supervision.
d. Cannot allow anyone to practice under their supervision.

131. A licensee may arrange for a refund check to be mailed:

a. To a licensee for the purpose of settling their bill.
b. To a client's bank to be deposited directly in the client's account.
c. Directly to the client or another address designated by the client.

132. A licensee shall not knowingly undertake to make tax reports that are outside of his/her experience and competence unless:

a. They obtain the assistance of someone who is competent in the area of concern.
b. They are quite sure the specific report will not be audited.
c. The client signs a waiver.
d. You work for one of the large income tax preparation firms which accepts liability.

133. The Oregon Tax Service Law is administered by:

a. Dept. of Revenue
b. Dept. of Education
c. Dept. of Commerce
d. Dept. of Interior

134. T F At the option of licensee, education earned in May (Consultants) or September (Preparers) may be withheld by licensee and submitted with subsequent renewal application.

135. T F You may submit copies of your education certificates as you receive them or wait until your renewal is submitted.

136. T F Your pocket identification card is for your convenience but is not required to be with you at all times.

137. T F Tax Consultants may use the abbreviation LTC and preparers may use the abbreviations LTP or TP.

138. T F Designated consultants will be held responsible and accountable for all advertising used or published by their preparers.

139. T F Consultant applicants must have worked a average of 30 hours per week for at least two o the last five tax seasons.

140. T F Part time tax preparers working less hours may take more than two of the last five years to fulfill the requirements.

141. T F Documented evidence of hours worked is required to be kept by the preparer and employer.

142. T F Consultants may act as Designated Consultant for one firm only unless approved by the Board for extenuating circumstances or when the consultant has a substantial ownership interest in the firm.

143. In which of the following circumstances would a married couple be able to file married filing separately on their Oregon return even if they filed married filing joint on their federal return?

a. Both spouses Oregon residents. The husband had substantial income from the state of Washington.
b. Both spouses California residents. The only Oregon income was a rental owned by the wife.
c. The husband is a Washington resident all year. The wife moved to Oregon on Jan 1 and had wages for the year. Husband had no Oregon income.
d. Wife, after marriage, moved to Oregon in August. Husband lived in Oregon entire year.

144. An individual who is not a resident of Oregon for the entire year will be taxed on which of the following:

a. Total interest left on deposit in an Oregon bank.
b. Total dividends received from an Oregon-based company.
c. Rental income from a home whose situs is in Oregon.
d. Union pension from earnings while an Oregon resident.
e. Sale of property in Medford, Or.
f. Alimony received from ex-spouse living in Portland.
g. Wages earned in Portland, you reside in Vancouver, Wa.
h. Income from an Oregon Sub-S Corporation.

145. Circle the following items which, if included in federal AGI are subtracted on Oregon:

a. U.S. savings bond interest
b. Civil service pension of $2,500, taxpayer is 63
c. Long-term capital gain
d. Wages paid by the state of Oregon
e. Oregon tax refund
f. Military pay, active duty, of $2,900
g. Pension paid by the state of Oregon
h. Property tax refund
i. Multnomah county jury duty

146. Indicate whether Form 2106 or Schedule A would be used to deduct each of the following:

a.______Unreimbursed travel expenses of a non-outsid salesperson
b.______Travel expense of an outside salesperson
c.______Unreimbursed gift expense of an outside salesperson
d.______Unreimbursed telephone expense of a non-outside salesperson
e.______Reimbursed entertainment expense of a non-outside salesperson
f.______Education travel expenses.

147. T F In order to claim a disability income exclusion if otherwise eligible, a taxpayer must make an election to claim the disability income as a pension.

148. T F A net operating loss may be reported on Form 1040 as a deduction against the income tax liability.

149. T F In 1981, the installment method of reporting is automatic with respect to sales of real estate and casual sales of personal property unless the taxpayer makes an election not to report under this method.

150. T F The add-on minimum tax applies to only two type of tax preferences:
(1) the 60% long-term capital gain deduction, and
(2) itemized deductions other than medical expenses, state and local taxes, and casualty losses.

151. T F If a taxpayer has sufficient tax preferences, the total tax to be paid in 1981 will be the higher of the regular income tax plus the regular (add-on) minimum tax or the alternative minimum tax.

152. T F If a nonbusiness debt becomes worthless during the year, it is treated as a short-term capital loss, regardless of how old the debt is.

153. If elected, a net operating loss occurring in 1981 may be carried forward for a maximum of _______ years.

154. In 1981 a self-employed taxpayer takes depreciation of $20,000 on Building A and $10,000 on Building B. Straight-line depreciation would have been $10,000 on Building A and $5,000 on Building B. The amount of depreciation to be treated as a tax preference item is $__________.

155. T F The excess of advance payment of the earned income credit over a taxpayer's actual earned income credit is a liability of the taxpayer normally settled through the taxpayer's income tax return.

156. T F When the earned income credit is in excess of the tax liability, the excess is paid to the taxpayer.

157. The amount of estimated adjusted gross income that cannot be exceeded for eligibility for a person to receive advance payment of the earned income credit is $__________.

158. The maximum amount of the earned income credit is $__________.

159. The maximum amount of earned income that will give an eligible taxpayer the maximum amount of earned income credit is $____________.

160. The % penalty of the tax due for each month or fraction of a month that an income tax return is late, not to exceed a total of 25% is:_______%

161. The maximum amount of tax credit for contribution to candidates for public office:

	Federal	Oregon
a. for single T/P	$_____	$_____
b. for married T/P filing jointly	$_____	$_____

162. T F A self-employed individual may make a minimum deductible contribution of $750 to a self-employed pension plan in 1981 if the individual's net business income is $800 and if adjusted gross income is less than $15,000.

163. T F A person is considered to be permanently disabled if the disability condition is expected to last continuously for at least one year.

164. T F The alternative minimum tax applies when a taxpayer has a tax preference for accelerated cost recovery on real property in excess o[illegible] straight-line cost recovery.

165. T F A partner's share of ordinary income is included in Schedule E of Form 1040.

166. T F Under the accelerated cost recovery system, the statutory percentages applicable to new eligible assets are higher than the percentages applicable to used eligible assets.

167. T F The 1981 business energy investment credit for solar and wind energy property is 10% for such property acquired or constructed after December 31, 1980.

168. T F A taxpayer may disregard all salvage value for depreciable personal property in computing the cost recovery.

169. T F If energy property qualifies for both the business energy investment credit and the regular investment credit, both credits may be claimed on Form 3468.

170. T F Five-year recovery property eligible for the investment credit is allowed a 10% credit.

171. T F If the sales of all Section 1231 assets during the year result in a net gain, the net gain is treated as a long-term capital gain.

172. T F The accelerated cost recovery system provides for cost recovery over a longer period of time than was likely under the old depreciation rules.

173. T F The accelerated cost recovery system provides for the taxpayer to elect straight line depreciation for specified recovery periods.

174. The recovery period for machinery and equipment under the accelerated cost recovery system is _______ years.

175. A dealer sold a customer a stove at a gross profit rate of 40%. The customer paid $100 down and agreed to monthly installments of $40 each. The gain to be reported by the dealer on the installment basis for the first year if the customer had paid five of the monthly installments is: $__________.

176. If a taxpayer took an investment credit in 1975 on property with an estimated useful life of 9 years and disposed of it in 1981, the % of the original investment credit that must be added back to the taxpayer's 1981 tax liability is:__________.

177. An operating loss occurring in 1982 may be first carried back as an offset against income in _______(year).

178. The premiums paid by a corporation for group-term life insurance coverage up to $_______ are not taxable to an employee.

179. T F Income averaging permits the taxpayer who receives an unusually large amount of income in one year to be taxed as if it had been received over a 4-year period.

180. T F The unused zero bracket amount is an amount equal to the excess of a taxpayer's zero bracket amount over itemized deductions.

181. T F Excess itemized deductions are the amounts of itemized deductions in excess of the unused zero bracket amount.

182. T F The taxpayer may elect to subtract the overpayment of income tax for the preceding year equally against each installment of estimated tax or in full against the first and succeeding installments.

183. T F A taxpayer who is claimed as a dependent on a parent's income tax return must often make a special computation using a worksheet provided with Form 1040 instructions that will increase the adjusted gross income by the excess of the zero bracket amount over earned income.

184. T F An energy conservation item that is eligible for the 1981 residential energy credit is the insulation for the roof of a vacation home.

185. T F In determining carryover, other credits excluding the earned income credit are deducted from the tax liability before the amount of the residential energy credit can be applied.

186. T F Schedule R (Credit for the Elderly) may be used to claim a credit for the elderly by a taxpayer (age 65 or older) on income from pension or annuity payments under the Social Security Act.

187. A taxpayer filing Form 1040 cannot obtain a refund based on eligibility for credits claimed in excess of the tax liability for the:

T F a. Credit for the elderly
T F b. Earned income credit
T F c. Residential energy credit
T F d. Credit for child and dependent care expenses
T F e. Credit for federal tax paid on gasoline, special fuels, and lubricating oils used for farming.

188. T F Employment-related expenses of a married taxpayer can be taken into account for claiming the credit for child and dependent care only to the extent of the earned income of the spouse who earned the lesser amount.

189. T F The amount of taxable income is the adjusted gross income less excess itemized deductions or plus unused zero bracket amount, and less the amount of exemptions.

190. T F When requirements to file a declaration of estimated tax for 1981 are first met in August of 1981, Voucher 3 must be filed and one half of the estimated unpaid tax must be paid on or before September 15, 1981, followed by Voucher 4 and the remaining tax when due.

191. A taxpayer whose estimated unpaid tax in 1982 is expected to be $________(federal) or $_______ (Oregon) may be required to file a declaration of estimated tax.

192. The rate that is applicable in 1981 for the computation of the credit for:

	Federal	Oregon
a. The elderly	______	______
b. Child and dependent care	______	______
c. Investment tax credit	______	______
d. Residential energy credit	______	______

193. The initial maximum amount for determining the credit for the elderly for a taxpayer filing jointly when both the taxpayer and the spouse are age 65 or over is $__________.

194. The maximum employment-related expense that can be used as the base for computing the credit for child and dependent care where there are two qualifying individuals is $___________.

195. The maximum credit for child and dependent care expenses in 1981 of married taxpayers filing jointly with one qualifying individual in the household $________.

196. T F Form 1040X can be filed after the close of the taxable year to obtain an extension of time to file if the amount of income tax due accompanies the form.

197. T F Each dollar of net long-term capital loss over net short-term capital gain can offset only 50 cents of other income.

198. T F The capital gain deduction is 40% of the excess of net long-term capital gain over net short-term capital loss.

199. T F The loss on the sale of a principal residence held for more than one year is a deductible capital loss.

200. T F The unused portion of a long-term capital loss can be carried forward for no more than 5 years.

201. T F A tax-free distribution is illustrated by a common stock dividend of additional shares of a corporation's own common stock or a stock split.

202. T F To justify a deduction of the business user of a personal residence by an employee, it must be established that a portion of the residence was used regularly and exclusively for business purposes.

203. T F Net short-term and net long-term capital losses retain their short- or long-term status when carried over to a future year.

204. T F The holding period for a long-term capital gain or loss is more than 1 year.

205. T F The unrecognized loss on a "wash sale" is added to the cost of the securities purchased 60 days before or after the sale.

206. T F The gain on the sale on July 7, 1981, of a residence by a taxpayer under 55 years of age is recognized only to the extent that the adjusted sales price of the old residence exceeds the cost of the new residence if purchased within 24 months after the sale.

207. The maximum amount of gain on the sale of a principal residence on 4/10/81, by a taxpayer 55 years of age or over that can be excluded is $__________.

208. What form is used to report income from rents?

____

209. The maximum capitl loss deduction in any year against other income by a married taxpayer filing jointly is $__________.

210. A taxpayer 65 years of age or over who is otherwise qualified to exclude the gain from the sale of a residence must have used the residence as a primcipal residence for a period of at least __________ years during the last ________ years.

211. If on 12/1/81 a taxpayer (age 59) sells for $225,000 cash a principal residence that had been lived in continuously for the past 15 years and realizes a gain of $128,000, the minimum amount of gain the taxpayer could elect to report as long-term capital gain on Schedule D is $__________.

212. If a taxpayer (age 45) sells a principal residence for $50,000 that had originally cost $20,000 and then buys another residence for $80,000, the amount of gain on the old residence that would be recognized for tax purposes is $__________.

213. The holding period for property acquired by a gift begins with the date the property was acquired by the ______________.

214. If a taxpayer has a net short-term capital loss of $2,000 and a net long-term capital gain of $5,000, the amount of net capital gain to be included with AGI in the taxpayer's tax return is $__________.

215. The maximum number of days during a taxable year that a dwelling unit can be rented but for which no deductions are allowed and no income from rentals is included in gross income __________.

216. T F The rate reduction credit for 1981 must be computed separately when determining the amount of income tax using the 1981 tax table.

217. T F The maximum total interest received on all-savers certificates that can be excluded from taxable income by a taxpayer and spouse filing a joint return is $1,000.

218. T F The interest and dividend exclusion of $200 for a single taxpayer ($400 on a joint return) can be claimed for 1981 and taxable years thereafter.

219. T F The gain on the sale of a principal residence after July 20, 1981, by a taxpayer 55 years of age or over can be excluded for as much as $100,000 once in a lifetime.

220. T F A taxpayer 55 years of age or older cannot exclude a gain on the sale of a principal residence on a joint return if the taxpayer's spouse is less than 55 years of age.

221. T F The final return of a taxpayer who died during 1981 is due in 4 months after the date of death.

222. T F A wash sale occurs when stock is purchased in October and then sold in December so that the result is to establish a tax loss.

223. T F Dividends of domestic corporations reinvested by shareholders in a dividend reinvestment plan are subject to income tax even though not received directly by the stockholder.

224. T F A taxpayer with a dependent child whose spouse died during the taxable year should claim filing status in the year of the spouse's death as a qualifying widow or widower.

225. T F The holding period for a capital asset that is sold at a gain so that the gain is considered as long-term is more than 6 months.

226. T F The maximum disability income exclusion for those who qualify is $5,200.

227. T F An individual with $1,200 of unearned income who is claimed as a dependent on a parent's income tax return is required to file an income tax return on Form 1040.

228. T F Only 60% of a capital gains dividend received is reported directly on Form 1040, or the full amount may be reported on Schedule D to be included in the amount of a net long-term capital gain or loss.

229. T F A special worksheet is provided in Form 1040 instructions for the tax computation by taxpayers who report an unused zero bracket amount for addition to adjusted gross income.

230. T F A taxpayer under age 65 with a self-employment income of $450 must file an income tax return.

231. T F The "at risk" rules limit the losses that can be deducted by a taxpayer for certain activities.

232. The standard rate per mile that can be claimed instead of actual automobile expenses (not reimbursed) for the:

a. Miles driven in excess of 15,000 driven on company business is____________________.

b. Miles driven in which the automobile used is fully depreciated is___________________.

c. Miles driven to the hospital and return for medical care is_________________.

d. First 15,000 miles driven on company business is _________________.

233. Give the number of exemptions that can be claimed on the income tax return for:

a. A single taxpayer (age 44) with full support of parents; the father (age 68 and blind) received and saved social security payments of $2,050; the mother (age 64) has a gross income of $1,100 from interest income.______

b. Married taxpayers--both husband (age 43) and wife (age 41) with good vision; full support of 2 children (ages 18 and 12); a third child died on February 6 (15 minutes after birth); the oldest child is a university student with $1,200 of gross income who claimed his exemption on his own income tax return._____________.

c. Married taxpayers--husband (age 65 with good vision) and wife (age 54 blind in one eye); full support of adopted child who lived in the household for the full year and had no gross income; the wife's mother also lived in the household and had a gross income of $900 which was spent for her support (total cost of support, $1,700).___________.

234. The maximum percentage of adjusted gross income that is excluded for:

a. Total medical and dental expenses is ______

b. Medicine and drugs is _______

235. For each situation below, give the amount to be added (+) or deducted (-) for 1981 to or from taxable income:

a. Short-term gain, $300; short-term loss, $400; long-term gain, $2,000; long-term loss, $9,000 ___________.

b. Short-term gain, $1,000; short-term loss, $1,600; long-term gain $4,000; long-term loss, $1,000.________.

236. The maximum amount to be excluded from the reporting by a single taxpayer in 1981 for:

a. Interest and dividents received ___________.

b. Each casualty or theft loss __________.

237. A single taxpayer (age 65 on January 1, 1982, with good vision and no dependents) who has $48,400 of adjusted gross income that consists of wages from one employer of $47,400, dividend income of $350 and interest income of $650 (after the interest and dividend exclusion), and itemized deductions of $2,100 could:

(Each of the following answers is independent of the others)

T F a. Elect to file Form 1040A
T F b. Claim excess itemized deductions
T F c. Compute the income tax using the tax table
T F d. Claim 2 exemptions

238. Amounts exempt from income tax include:

T F a. Interest received on US Savings Bonds
T F b. Social security benefit receipts
T F c. Dividend of $1,000 received from domestic corporation.
T F d. A refund received of prior-year state income tax by a taxpayer who had not been required to file a US income tax return, but who had elected to file for the state refund.

239. T F The self-employment tax for 1981 is computed at the rate of 9.3% of $25,900.

240. T F In computing the cost recovery deduction, a business taxpayer may disregard salvage value.

241. T F Used residential real estate with an estimated useful life of 20 years for accounting purposes may be depreciated on a straight-line basis over a 20-year period as the maximum depreciation allowed.

242. T F The salvage value must be considered in computing the rate or the base when the cost recovery method is used.

243. T F Charitable contributions that are made by a sole proprietorship are deductible as a business expense on Schedule C.

244. T F The gain on the sale of Section 1250 property that is held for twelve months or less is treated as ordinary income even to the extent of straight-line depreciation and cost recovery taken since acquisition.

245. T F If the deductible losses from involuntary conversions due to casualty and thefts exceed the gains, the net loss is transferred to Part II of Form 4797 to be treated as an ordinary loss.

246. T F A contribution to a Keogh plan by a self-employed taxpayer who is on the calendar-year basis may be made on April 1, 1982, and still be a deduction for the taxpayer's 1981 tax return filed on April 7, 1982.

247. T F Taxpayers who are employees in 1981 may contribute to their own retirement program up to 15% of their compensation not exceeding $1,500 even if they are active participants in their employer's retirement plan.

248. T F An employer may make a contribution to an employee's individual retirement account by means of a simplified employee pension (SEP) plan.

249. T F If an eligible investment tax credit cannot be claimed entirely in a taxable year, the excess may be carried back to each of the preceding 3 years.

250. T F If solar and wind energy property qualifies for the regular investment credit, this credit may be taken in addition to the refundable business energy investment credit.

251. T F An individual retirement arrangement may also cover a nonworking spouse.

252. T F A self-employment tax need not be paid when a person is over age 65 and is receiving social security benefits.

253. Taxpayer who depreciates his used residential apartment building under the straight-line method, makes substantial capital improvements to the building. What is the fastest depreciation method available to taxpayer for improvements in federal return?

a. 200% declining balance
b. 150% declining balance
c. 125% declining balance
d. straight-line
e. ACRS accelerated method.

254. T F Taxpayer rented out at $800 per week his vacation home at Cape Cod for two (2) weeks last summer. Even if the attributable expenses are less than the rental income, taxpayer can exclude the $1,600 from income.

255. T F As a general rule, the federal government by law has three years after an income tax return has been filed by a taxpayer in which to assess any additional tax.

256. T F A criminal penalty applies to a person who discloses or uses information obtained from a taxpayer for any purpose other than to prepare or assist in the preparation of an income tax return or declaration of estimated tax.

257. In order to take declining-balance depreciation at twice the straight-line rate, the minimum life of tangible personal property needed to be __________ years.

258. If Jane Smith had an adjusted gross income of $12,000, including $800 of self-employment income, she can make a deductible contribution to a Keogh plan in 1981 of up to a maximum of $__________.

259. If a machine with a book value (cost less depreciation) of $2,200 is exchanged for cash received of $500 and a smaller new machine with a fair market value of $2,100, the amount of the taxable gain to be recognized is $_________.

260. A business machine that was acquired in 1972 for $8,000 is sold for $4,000 in 1981 when the boo value is $2,400. The type of gain and th amount to be reported are ____________________.

261. If a truck with a book value of $5,500 and cash $9,000 is exchanged for a new truck with a fair market value of $15,000, the tax basis of the new truck is $___________.

5. A husband and wife (both under age 65 with good vision) filed a 1981 joint income tax return. They had $64,000 of gross income, $17,000 of business expenses, and $600 of excess itemized deductions. During 1981, they contributed $1,900 to the support of their son (age 20) who attended school for 9 months and earned $1,750 (which he spent). Determine their:

   a. Adjusted gross income. . . .
   b. Taxable income. . . . .
   c. The 1981 residential energy credit for energy conservation items costing $5,000 is . . . .

6. A taxpayer with no dependents is a widow whose spouse die on December 1, 1981. She filed a joint return with taxable income of $21,200 and an income tax (from the Tax Table) of $3,516. A credit for contributions to candidates for public office of $30 (total contribution was $60) was claimed, and self-employment tax of $1,500 was applicable. Payments totaling $4,000 had been made on the 1981 declaration of estimated tax. An Application for Automatic Extension of Time to File U.S. Individual Income Tax Return had been filed, and an additional $500 of tax was paid at that time. Determine the correct amounts that must be reported on Form 1040 for the:
   a. Total tax (before deduction of credits, payments, & addition of other taxes). . .
   b. Total tax (after credits and other taxes). . . .
   c. Refund (show in parentheses) or amount due. . . .

7. **Income Averaging**
   Prepare Schedule G based on the following information:

   Anne Lane, an eligible individual for income averaging, is single. Her only income for the computation year and her base years is her salary. She has never itemized. She has always claimed only one exemption. Her AGI was:

   $38,750 for 1981
   $25,200 for 1980
   $17,000 for 1979
   $11,950 for 1978
   $5000 for 1977

   Anne did not exclude any income earned abroad or in U.S. possessions in any of these years. She has never belonged to a self-employed retirement plan. How much ta does Anne save by using the income averaging method?

8. Schedule A

Complete a Schedule A for James and Eleanor Coogan using the following facts. Their adjusted gross income in 1981 was $19,700.

Medical and Dental Expenses:

Medical insurance premiums. . . .	$312
Prescription drugs.	88
Other drugs.	36
Dr. Jones - James' broken wrist	187
Dentist. . . .	150
Orthopedic shoes & braces for dependent son. . .	315
Medical insurance reimbursement for doctor bills. . .	418
Veterinarian fees. . .	45
Sick & accident wage continuation insurance premiums. . .	125
Dr. Brown, pediatrician . .	225

Taxes:

State income tax refund. .	$66
State income tax withheld. . .	714
Real estate tax. . . .	526
County personal property tax. .	12
Car registration fee. . .	30
State cigarette tax. . .	9
Sales tax on dining room furniture. .	116
Sales tax on washer & dryer. . .	25
State gas tax . . .	100

Interest:

Home mortgage. . .	$1,857
Car loan. . .	121
Charge accounts. . .	47

Casualty Loss

Coogans had a fire in their storage room. The damage to the room totalled $1,200. Also, 3 suitcases worth $140 were destroyed along with clothing worth $400 that was stored. The insurance reimbursement was $1,300.

Contributions:

Church - $5 a week	
United Givers' Fund	$25
March of Dimes. . .	10
Salvation Army. . .	2
(All of the preceding items verified by checks, receipts, etc.)	
Value of three boxes of used clothing, household goods,etc. given to neighbors whose house burned. . .	45
Value of used refrigerator given to church. . .	20

Miscellaneous Deductions:

Union dues. . .	$52
Fees for Eleanor's adult education course in Chinese cooking..	40
Babysitter. . . .	45
Safety workshoes. . .	35
Dog license. . .	5
Transportation to & from work. . .	250
Life insurance premiums. . .	225

9. Dependent Support

a. **Using the attached worksheet** and the following information, determine if your client can claim exemption for her son (client is the mother).

Parents are divorced and have both claimed Johnny as a dependent. IRS has requested that your client prove the support for her exemption. Johnny lived with his mother for 9 months and his father 3 months. He did not file a return as he has no income. The divorce decree is silent on the exemption.

Mother lives in an apartment which rents for $175 per month. She has another child living with her (3 people total household). Food costs are $100 per month (She is very thrifty for todays' prices) $25 a month for utilities.

Father lives in a home he owns with fair rental value of $275 per month. He lives alone and is not a thrifty shopper. His food costs are $125 per month and his utilities are $65 per month. Repairs on the house average $35 per month.

Grandpa (mother's father) took Johnny on a vacation [illegible] Alaska and spent $500 on Johnny's share of the trip.

Father paid $1200 in child support during the year, all of which was current but thrifty mother put $350 of the child support in Johnnys' own savings account and did not use it.

Mother can show the following costs incurred for Johnny: Clothing $200; personal grooming $50; Medical and dental $1200 (braces); education $25; transportation $100; contributions $39; travel and recreation (gramps) $500; music lessons $375; trombone $225.

HOW MUCH WAS CONTRIBUTED BY MOTHER? ____________
CAN SHE CLAIM JOHNNY AS HER DEPENDENT? __________

b. **Support using the second worksheet** determine whether your taxpayer may claim her mother as a dependent.

Taxpayer lives with her mother in a house her mother owns which has a fair rental value of $250 per month. There are no other occupants in the house. Total food costs $100 per month; utilities and phone $50 per mon[illegible] repairs $50 per month. Taxpayer can show that [illegible] following costs were incurred for her mother for the year: Clothing $200; Personal Grooming $100; medical and dental $1,000; "Grandma" sitter when TP is away, $150; transportation $50; contributions $100. Mother has NO income.

CAN TAXPAYER CLAIM THE MOTHER? __________

10. **INTEREST AND DIVIDEND INCOME**

Prepare a Schedule B for your clients who have given you the following information.

DIVIDENDS		
Dreyfus Fund	$250	(Q $10 NQ $40 CG $200)
ATT	$100	(Qualified)
IDS Corporation	$100	(NQ $25 CG $75)
Multi Inv. of Oregon	$10	
Canadian Mine	$100	
Foreign Investments	$200	
PGE	$200	(Q $50 NT $125)
Credit Union	$50	(on savings acct.)

INTEREST

Montana Muni. Bond	$325
U.S. Bond Interest	$10
All Savers	$200
Thurston Church Bearer Bond (purchased at $1,000; to mature in 1984 @ $1,500.) Accrued interest for 1981 shown at	$10
Land Sales Contract Interest	$2,000

a. What is the total on line 2 part 1 (Total Interest)

____

b. What is the total on line 8 part II (Total dividend)

____

c. What is the exclusion on line 8d Form 1040?

____

d. What is the amount to be **added** to Oregon Form 40 Line 2?

____

e. What is the amount to be **added** on Oregon Form 40 Line 6?

____

f. What is the Amount to be **subtracted** on Oregon Form 40

____

11. GROSS INCOME: FEDERAL, OREGON, 70R

A single taxpayer has the following items of income. Show the amounts to be included as **taxable** income on Federal, Oregon columns below. Show the total to be included in **household** income in the 70R column.

Rental loss ($3,000)
Partnership loss ($2,000)
Port of Portland bond Int.$400

Schd. C profit $500
Savings bond Int. $100
Mutual Fund $400 (Q-300 NT-100)

Utah State muni bond Int. $200
Property tax refund $200
Oregon State employee pension: Total $4,000 (cost recovery of 20% excluded)

Sale of bare land owned 10 years, basis of $4,000; Sales Price $6,000

Oregon income tax refund $300 (taxpayer itemized last year and received full benefit from both State and PT refunds).

CATAGORIES	**FEDERAL**	**OREGON**	**70R**
Rental.			
Schedule C.			
Mfg. Partnership. . .			
Port Portland Int. . .			
Utah bond Int.			
U.S. Bond.			
Mutual funds.			
State Pension.			
Sale of Land.			
Property tax refund. .			
State Tax refund. . .			

12. ADJUSTMENTS TO INCOME - MOVING EXPENSE

Complete form 3903 and 2119 for the following taxpayer.

A year ago Jim who is age 42, applied for a transfer to the Portland area from the small southern Oregon town where he and Mary (age 42) have lived for 20 years in the house they bought when they married. They paid $9000 for it and a couple of years ago spent $1,000 on a roof and patio. Last year they spent $2,000 on storm windows and insulation and took a $300 energy credit on their federal return. Other than that, all expenses have been for maintenance. In July, they drove to Portland (210 miles one way) to look for a house. They spent $100 on motel and $100 on meals. Their house sold August 1, 1981 for $60,000. The real estate commission was $4,200, title insurance $210, half of the escrow fee was $90 and termite inspection was $50.

They drove both cars to Portland and spent $30 for the family lunch on the way. They rented a hotel apartment for 6 weeks at $21 per day and spent $20 a day on food before the house they bought was available for occupancy on Sept. 20. The new house cost $55,000. Included in closing costs was an assumption fee of $100. Tax pro-rate was $230, credit report $30, service fee $20 and attorney fees $100. They paid the movers $700 to move their furniture. Jim's employer will not reimburse him for any of the move since Jim requested the transfer.

a. The amount on line 2 of 3903 is __________
b. The amount on line 3 of 3903 is __________
c. The amount on line 6 of 3903 is __________
d. Total moving expenses are ______________
e. The amount realized on the sale of residence is ____
f. The basis of the old residence is ________
g. Total gain on the sale is ______________
h. Taxable gain on the sale is _____________
i. Adjusted basis of new residence is ________
j. Assuming all of the above facts except that the only expense they had for the new residence in 1981 was $250 for acquisition of a new lease on an apartment and they did not purchase the new residence until Feb. 1983; what, if any, would be the tax consequences for federal?____________________________

k. For Oregon? ____________________________

13. INVESTMENT CREDIT RECAPTURE

Taxpayer purchased and placed in service equipment #1 on March 1, 1979 with a cost of $9000., estimated useful lif of three years. For tax years 1979 and 1980 taxpayer used equipment #1 in his business. On Feb. 1, 1981, taxpayer ceased to use it in business and converted to personal use.

What is taxpayer's 1981 tax from recomputing prior yea ITC?

a. -0-   b. $300   c. $600   d. $900

14. CREDIT FOR ELDERLY

a. John is single age 62. His social security for this year was $800. He earned $1,500. He has interest income of $3,000 and drew $5,000 on a State retirement of which $400 was taxable. His tax liability is $230. In computing his credit for the elderly.

1. The amount on line 2a is:
   a. -0-   b. $400   c. $800   d. $1,200   e. none of abov
2. The amount on line 2b:
   a. $150   b. $300   c. $400   d. $600   e. $1,500
3. Line 5 is:
   a. $400   b. $1,200   c. $1,900   d. $3,400   e. $5,000
4. The amount on line 10:
   a. $-0-   b. $60   c. $165   d. $230   e. $375

b. John and Mary have finished their tax return but ha asked your assistance in doing the Credit for the Elderly. They are both age 60. Select the corre column for each spouse. John's W2 shows: $18,900 a he has credit union interest of $1,000 (taxable aft exclusion). Mary's W2 shows $700 and she has cred union interest (after exclusion, taxable) of $700. S also has taxable (federal) retirement from Multnom County of $1,500. Their tax liability is $3,434.

1. The wife's information should be listed in:
   (a)   (b)   (circle one)
2. The base amount for the wife is $______
3. The credit on schedule RP is ________
4. What is the Oregon credit? ________

15. **SCHEDULE D**

Taxpayer (single) purchased and sold the folloiwng shar of common stock on the dates listed:

Purchased (after expenses of sale)

Name of stock	Date	# Shares	Cost per share
Old Tin Can	2/10/80	100	$18
Magic Mining	10/10/80	50	$26
Central Motors	12/14/80	200	$30

Sold (after expense of sale)

Old Tin Can	11/6/81	100	$36
Magic Mining	11/6/81	50	22
Central Motors	11/6/81	100	48

How much taxable gain will the taxpayer carry forward fr schedule D to report on his 1981 income tax return as a resu of the above transactions?

a. $160 b. $1,360 c. $2,440 d. $3,400 e. None of these

16. **4797 AND 4684**

Terrified taxpayer had the following transactions duri 1981.

1. On March 8, his personal automobile was demolished in an accident. The automobile cost $3,000 on June 30, 1980 an had a FMV of $1,000 before the accident. There was no insurance. It was sold for $200 afterwards.
2. On June 30, five cows were sold for a total of $800. The cows were born on May 14, 1979 and used for dairy purposes. No cost basis so no depreciation of course. (May 14, 1979 was a busy day for the farmer!)
3. On December 13, one dairy cow was sold for $500. It was purchased on Sept. 12, 1980 for $320 and depreciation to date of sale was $20.
4. A farm building and an acre of land were sold on December 28 for $10,200. The property cost $10,000 on Jan. 5, 1974. SL depreciation had been claimed of $1,250.
5. A tractor was sold on Dec. 21 for $2,000. The tractor had been purchased for $5,000 Oct. 12, 1975. Depreciation claimed to date of sale was $4,000.

COMPLETE FORMS 4684 AND 4797 FOR THE ABOVE.

a. How many form 4684 forms are needed? ________
b. The amount on line 1 of Part I form 4797 is? ________
c. The amount on line 5 of Part I form 4797 is? ________
d. The amount on line 9 of Part II form 4797 is? ______
e. The amount on line 11(b)(2) of form 4797 is? ________
f. The amount on line 24 Part III form 4797 is? ________
g. The amount on line 26 Part III form 4797 is? ________

17. **FORM 4562 AND OREGON DEPRECIATION**

On January 13, this year (1981) Mr. Smith purchased a piece of equipment for his business at a cost of $6,000 (no salvage value) with estimated life of five years.

a. allowable ACRS deduction for 1981 _____
b. allowable Oregon deduction using the **maximum** possible deduction for 1981 _____

SCHEDULE G
(Form 1040)
Department of the Treasury
ternal Revenue Service (0)

Income Averaging

▶ See instructions on back.
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
20

me(s) as shown on Form 1040 | Your social security number

Base Period Income and Adjustments	(a) 1980	(b) 1979	(c) 1978	(d) 1977
1 Enter amount from: Form 1040—line 34 Form 1040A (1977 and 1978)—line 10 Form 1040A (1979 and 1980)—line 11 . .				
2 a Multiply $750 by your total number of exemptions each year, 1977 and 1978 .	▨	▨		
b Multiply $1,000 by your total number of exemptions each year, 1979 and 1980 .			▨	▨
3 Taxable income (subtract line 2a or 2b from line 1). If less than zero, enter zero . . .				
4 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931				
5 Base period income (add lines 3 and 4) . .				

Computation of Averageable Income			
6 Taxable income for 1981 from Form 1040, line 34		6	
7 Certain amounts received by owner-employees subject to a penalty under section 72(m)(5)		7	
8 Subtract line 7 from line 6		8	
9 Excess community income		9	
10 Adjusted taxable income (subtract line 9 from line 8). If less than zero, enter zero		10	
11 Add columns (a) through (d), line 5, and enter here	11		▨
12 Enter 30% of line 11		12	
Averageable income (subtract line 12 from line 10)		13	

If line 13 is $3,000 or less, do not complete the rest of this form. You do not qualify for income averaging.

G

Computation of Tax			
14 Amount from line 12		14	
15 20% of line 13		15	
16 Total (add lines 14 and 15)		16	
17 Excess community income from line 9		17	
18 Total (add lines 16 and 17)		18	
19 Tax on amount on line 18 (see caution below)		19	
20 Tax on amount on line 16 (see caution below)	20		▨
21 Tax on amount on line 14 (see caution below)	21		▨
22 Subtract line 21 from line 20	22		▨
23 Multiply the amount on line 22 by 4		23	
Note: If no entry was made on line 7 above, skip lines 24 through 26 and go to line 27.			▨
24 Tax on amount on line 6 (see caution below)	24		▨
25 Tax on amount on line 8 (see caution below)	25		▨
26 Subtract line 25 from line 24		26	
27 Add lines 19, 23, and 26		27	
Multiply line 27 by .0125		28	
29 Tax (subtract line 28 from line 27). Enter here and on Form 1040, line 35 and check Schedule G box . .		29	

Caution: Use Tax Rate Schedule X, Y, or Z from the Form 1040 instructions, but do not use the Tax Computation Worksheet on that page. Do not use the Tax Table.

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040

Your social security number

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) *(See page 17 of Instructions.)*

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶
2 Medicine and drugs .
3 Enter 1% of Form 1040, line 31 . . .
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero . . . . .
5 Balance of insurance premiums for medical care not entered on line 1 . . . .
6 Other medical and dental expenses:
a Doctors, dentists, nurses, etc. . . .
b Hospitals . . . .
c Transportation . . . .
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶
7 Total (add lines 4 through 6d) . . . .
8 Enter 3% of Form 1040, line 31 . . .
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero . . . . .
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 . ▶

Taxes *(See page 18 of Instructions.)*

11 State and local income . . . . . .
12 Real estate . . . .
13 a General sales (see sales tax tables) .
b General sales on motor vehicles . .
14 Personal property . . . .
15 Other (itemize) ▶
16 Total taxes (add lines 11 through 15). Enter here and on line 34 . . . . ▶

Interest Expense *(See page 18 of Instructions.)*

17 Home mortgage . . . .
18 Credit and charge cards . . . . . .
19 Other (itemize) ▶
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶

Contributions *(See page 19 of Instructions.)*

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b) .
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶
22 Other than cash (see page 19 of Instructions for required statement) . . . .
23 Carryover from prior years . . . . .
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶

Casualty or Theft Loss(es) *(You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)*

25 Loss before reimbursement . . . .
26 Insurance or other reimbursement you received or expect to receive . . . .
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero . . .
28 Enter $100 or amount from line 27, whichever is smaller . . . .
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶

Miscellaneous Deductions *(See page 19 of Instructions.)*

30 a Union dues . . . .
b Tax return preparation fee . . . .
31 Other (itemize) ▶
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 . . . . ▶

Summary of Itemized Deductions *(See page 20 of Instructions.)*

A

33 Total medical and dental—from line 10 .
34 Total taxes—from line 16 . . . . .
35 Total interest—from line 20 . . . . .
36 Total contributions—from line 24 . . .
37 Total casualty or theft loss(es)—from line 29 .
38 Total miscellaneous—from line 32 . .
39 Add lines 33 through 38 . . . . .
40 If you checked Form 1040, Filing Status box:
2 or 5, enter $3,400 . . . .
1 or 4, enter $2,300 . . . .
3, enter $1,700 . . . . .
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) . . . . . ▶

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

488

14

PART IV — Include in this part only the income and expenses for the part of the year the dependent lived with you.

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? *(If Yes, please complete items a, b, c, and d, below.)* ☐ Yes ☐ No

	Gross Amount	Source
a. Income	$	
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support	$
c. Amount of the dependent's income used for other purposes	$
d. Amount of dependent's income saved	$

Expenses for entire household *(Where dependent lived)*			Expenses for dependent only	
16. Lodging *(Complete items a or b, and item c if applicable)*	a. Rent paid	$	24. Dependent's portion of household expenses *(Item 23)*	$
	b. If not rented, show fair rental value of home *(If dependent owns home, include this amount in item 31)*	$	25. Clothing	$
	c. If you completed item b, show below the name and address of the owner of the home	▨	26. Education	$
Homeowner's name and address		▨	27. Medical-Dental	$
		▨	28. Travel-Recreation	$
		▨	29. Other *(Specify)*	
17. Food		$		
18. Utilities *(heat, light, water, etc.)*		$		
19. Repairs *(not included in item 16a or item 16b, above)*		$		$
20. Other *(Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)*		$	30. Total cost of dependent's support for the year *(Add items 24 through 29.)*	$
21. Total household expenses *(Add items 16 through 20.)*		$	31. Amount dependent contributed for own support *(item 15b, plus amount from item 16b if dependent owns home)*	$
22. Number of persons *(including dependent)* living in household	*(Number)*	▨	32. Amount others contributed for dependent's support *(include amounts by State, local, and other welfare societies or agencies.)*	$
23. Dependent's portion of household expenses *(item 21 divided by item 22)*		$	33. Amount you contributed for dependent's support	$

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

Certificate

I certify that during the taxable year 19____, ______________________________
(Name of person claiming dependent)

provided more than half the total cost of support for ______________________________
(Name of dependent)

and I did not and will not claim the dependent's exemption on my Federal income tax return for the above year.

Signature	Address	Date

PART VI

Declaration (If a joint return, both you and your spouse must sign)

I declare I have examined the information entered on this form, and to the best of my knowledge and belief it is true, correct, and complete.

Your signature	Date	Spouse's signature	Date

If you decide you are not entitled to claim an exemption for the dependent, please complete the withdrawal statement below.

Withdrawal Statement (If a joint return, both you and your spouse must sign)

I no longer believe I am entitled to claim an exemption for ______________________________
(Name of dependent)

and I withdraw my claim to this exemption. Please make the necessary adjustments to my income tax return for the year shown on the other side of this form.

Your signature	Date	Spouse's signature	Date

Form **2038** (Rev. 9-80)

PART IV — Include in this part only the income and expenses for the part of the year the dependent lived with you.

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? ☐ Yes ☐ No
(If Yes, please complete items a, b, c, and d, below.)

	Gross Amount	Source
a. Income	$	
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support	$
c. Amount of the dependent's income used for other purposes	$
d. Amount of dependent's income saved	$

Expenses for entire household *(Where dependent lived)*		Expenses for dependent only	
16. Lodging *(Complete items a or b, and item c if applicable)* a. Rent paid	$	24. Dependent's portion of household expenses *(Item 23)*	$
b. If not rented, show fair rental value of home *(If dependent owns home, include this amount in item 31)*	$	25. Clothing	$
c. If you completed item b, show below the name and address of the owner of the home	▨	26. Education	$
Homeowner's name and address	▨	27. Medical-Dental	$
	▨	28. Travel-Recreation	$
	▨	29. Other *(Specify)*	
17. Food	$		
18. Utilities *(heat, light, water, etc.)*	$		
19. Repairs *(not included in item 16a or item 16b, above)*	$		$
20. Other *(Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)*	$	30. Total cost of dependent's support for the year *(Add items 24 through 29.)*	$
21. Total household expenses *(Add items 16 through 20.)*	$	31. Amount dependent contributed for own support *(Item 15b, plus amount from item 16b if dependent owns home)*	$
22. Number of persons *(including dependent)* living in household *(Number)*	▨	32. Amount others contributed for dependent's support *(include amounts by State, local, and other welfare societies or agencies.)*	$
23. Dependent's portion of household expenses *(Item 21 divided by item 22)*	$	33. Amount you contributed for dependent's support	$

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

Certificate

I certify that during the taxable year 19____, ______________________________
(Name of person claiming dependent)

provided more than half the total cost of support for ______________________________
(Name of dependent)

and I did not and will not claim the dependent's exemption on my Federal income tax return for the above year.

Signature Address Date

PART VI

Declaration (If a joint return, both you and your spouse must sign)

I declare I have examined the information entered on this form, and to the best of my knowledge and belief it is true, correct, and complete.

Your signature Date Spouse's signature Date

If you decide you are not entitled to claim an exemption for the dependent, please complete the withdrawal statement below.

Withdrawal Statement (If a joint return, both you and your spouse must sign)

I no longer believe I am entitled to claim an exemption for ______________________________
(Name of dependent)

and I withdraw my claim to this exemption. Please make the necessary adjustments to my income tax return for the year shown on the other side of this form.

Your signature Date Spouse's signature Date

Form 2038 (Rev. 9-80)

Schedules A&B (Form 1040) 1981 **Schedule B—Interest and Dividend Income** OMB No. 1545-0074

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)

Your social security number

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	▨
1b Total. Add above amounts	
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	▨
1d Total	▨
1e Exclusion (See page 20 of Instructions) .	▨
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d .*	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount
3	
4 Total. Add above amounts	
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below . . .	▨
6 Nontaxable distributions (See Instructions for adjustment to basis)	▨
7 Total (add lines 5 and 6)	
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	

B

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?	▨	▨
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? . . . . If "Yes," you may have to file Forms 3520, 3520-A, or 926.	▨	▨

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O—343-039

FULL-YEAR RESIDENTS ONLY

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date		Penalty date

Last name	First name and initial	Social Security number
Spouse's last name if different and joint return	Spouse's first name and initial if joint return	Spouse's Social Security number
Mailing address		Telephone number

City	State	ZIP Code	County

Did you file an Oregon income tax return for 1980? ☐ Yes ☐ No

If NO, give reason: ____________

For office use only

Filing Status

Check only one box

1 ☐ Single
2 ☐ Married filing jointly
3 ☐ Married filing separately ____________ (Spouse's name)
4 ☐ Unmarried head of household ____________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	☐	☐	☐	☐	☐
Spouse	☐	☐	☐	☐	☐
Dependents ____________ (First names)					☐
Total exemptions claimed ●					☐

1 Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10 1

OREGON CHANGES TO INCOME

2 Interest received from All Savers Certificates .... ● 2
3 Changes in depreciation for Oregon .... ● 3
4 Other Oregon changes to federal income. Identify .... ● 4
5 Oregon adjusted gross income. Add lines 1, 2, 3 and 4 5

ATTACH COPY OF FEDERAL RETURN

ADDITIONS

6 Interest on local government bonds of other states .... ● 6
7 Other additions. Identify .... ● 7
8 Total additions. Add lines 6 and 7 8
9 Income after additions. Line 5 plus line 8 9

SUBTRACTIONS

10 1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21 .... ● 10
11 Oregon income tax refund included in federal income (not property tax refund) .... ● 11
12 Interest from U.S. government, such as Series E and H bonds .... ● 12
13 U.S. public retirement income. Not more than $3,000. See instructions, page 21 .... ● 13
14 Military active duty pay. Not more than $3,000. See instructions, page 22 .... ● 14
15 Oregon public retirement income .... ● 15
16 Other subtractions. Identify .... ● 16
17 Total subtractions. Add lines 10 through 16 17
18 Income after subtractions. Line 9 minus line 17 18

Attach W-2 wage slips and payment here

NOW GO TO THE BACK OF THE FORM ⟶

150-101-040 (9-81)

Form **3903**
Department of the Treasury
Internal Revenue Service (2)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040

Your social security number

(a) What is the distance from your former residence to your new job location? .... miles

(b) What is the distance from your former residence to your former job location? .... miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects 1

2 Travel, meals, and lodging expenses in moving from former to new residence 2

3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job 3

4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job 4

5 Total. Add lines 3 and 4 5

6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year) . . 6

7 Expenses for: (Check only one box)
(a) ☐ sale or exchange of your former residence; or,
(b) ☐ if renting, settlement of unexpired lease on your former residence . . 7

8 Expenses for: (Check only one box)
(a) ☐ buying a new residence; or,
(b) ☐ if renting, getting a lease on a new residence 8

9 Total. Add lines 6, 7, and 8 9

Note: Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.

10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year) 10

11 Total moving expenses. Add lines 1, 2, and 10 11

12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W–2 12

13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22 13

14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement" 14

General Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Who May Deduct Moving Expenses.—If you moved your residence because of a change in the location of your job, you may be able to deduct your moving expenses. You may qualify for a deduction whether you are self-employed or an employee. But you must meet certain tests of distance and time, explained below. If you need more information, please get Publication 521, Moving Expenses.

Note: If you are a U.S. citizen or resident who moved to a new principal work place outside the United States or its possessions, get Form 3903F, Foreign Moving Expense Adjustment.

(1) *Distance Test.*—Your new job location must be at least 35 miles farther from your former residence than your old job location was. For example, if your former job was 3 miles from your former residence, your new job must be at least 38 miles from that residence. If you did not have an old job location, your new job must be at least 35 miles from your former residence. (The distance between the two points is the shortest of the commonly traveled routes between the points.)

(2) *Time Test.*—If you are an employee, you must work full time for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work for at least 39 weeks during the first 12 months and a total of 78 weeks during the 24 months right after you move.

You may deduct your moving expenses for 1981 even if you have not met the "time" test before your 1981 return is due. You may do this if you expect to meet the 39-week test by the end of 1982 or the 78-week test by the end of 1983. If you have not met the test by then, you will have to do one of the following:

- Amend your 1981 tax return on which you deducted moving expenses. To do this, use Form 1040X, Amended U.S. Individual Income Tax Return.
- Report as income on your tax return for the year you cannot meet the test the amount you deducted on your 1981 return.

(Continued on back)

493 17

Form **2119**

Department of the Treasury
Internal Revenue Service (0)

Sale or Exchange of Principal Residence

▶ See instructions on back.

▶ Attach to Form 1040 for year of sale (see instruction C).

OMB No. 1545-0072

1981

24

Note: Do not include expenses you are deducting as moving expenses.

Name(s) as shown on Form 1040

Your social security number

	Yes	No
1 (a) Date former residence sold ▶		
(b) Enter the face amount of any mortgage, note (for example second trust), or other financial instrument on which you will receive periodic payments of principal or interest from this sale ▶	▨	▨
(c) Have you ever postponed any gain on the sale or exchange of a principal residence?		
(d) If you were on active duty in the U.S. Armed Forces or outside of the U.S. after the date of sale of former residence, enter dates. From to	▨	▨
2 (a) Date you bought new residence. (If none bought, so state). ▶	▨	▨
(b) If you constructed new residence, date construction began ▶ date occupied ▶	▨	▨
(c) Did you use both the old and new properties as your principal residence?		
(d) Are any rooms in either residence rented out or used for business for which a deduction is allowed?		
(If "Yes" do not include gain on the rented or business portion in line 7; instead include in income on Form 4797.)	▨	▨

Part I Computation of Gain and Adjusted Sales Price

3 Selling price of residence. (Do not include selling price of personal property items.) 3

4 Commissions and other expenses of sale not deducted as moving expenses 4

5 Amount realized (subtract line 4 from line 3) 5

6 Basis of residence sold 6

7 Gain on sale (subtract line 6 from line 5). (If line 6 is more than line 5, enter zero and do not complete the rest of form.) If you bought another principal residence during the allowed replacement period or you elect the one time exclusion in Part III, continue with this form. Otherwise, enter the gain on Schedule D (Form 1040), line 2a or 9a. 7

If you haven't replaced your residence, do you plan to do so within the replacement period? ☐ Yes ☐ No

(If "Yes" see instruction C.)

8 Fixing-up expenses (see instructions for time limitations.) 8

9 Adjusted sales price (subtract line 8 from line 5) 9

Part II Computation of Gain to be Postponed and Adjusted Basis of New Residence

10 Cost of new residence 10

11 Gain taxable this year (Subtract line 10 from line 9. Do not enter more than line 7.) If line 10 is more than line 9, enter zero. Enter any taxable gain on Schedule D (Form 1040), line 2a or 9a. If you were 55 or over on the date of sale, see Part III 11

12 Gain to be postponed (subtract line 11 from line 7) 12

13 Adjusted basis of new residence (subtract line 12 from line 10) 13

Part III Computation of Exclusion, Gain to be Reported, and Adjusted Basis of New Residence

	Yes	No
14 (a) Were you 55 or over on date of sale?		
(b) Was your spouse 55 or over on date of sale? (If you answered "No" to 14(a) and 14(b), do not complete the rest of form.)	▨	▨
(c) If you answered "Yes" to 14(a) or 14(b) did you own and use the property sold as your principal residence for a total of at least 3 years (except for short temporary absences) of the 5-year period before the sale? (If you are 65 or over and 1(a) is before 7/26/81, see instruction D.)	▨	▨
(d) If you answered "Yes" to 14(c), do you elect to take the once in a lifetime exclusion of the gain on the sale? (If "Yes," check yes box and complete the rest of Part III. If "No," return to Part II, line 12 above.)	▨	▨
(e) At time of sale, was the residence owned by: ☐ you, ☐ your spouse, ☐ both of you?	▨	▨
(f) Social security number of spouse, at time of sale, if different from number on Form 1040 ▶ (Enter "none" if you were not married at time of sale.)	▨	▨

15 (a) If line 1(a) is before 7/21/81, enter the smaller of line 7 or $100,000 ($50,000, if married filing separate return) . . 15(a)

(b) If line 1(a) is after 7/20/81, enter the smaller of line 7 or $125,000 ($62,500, if married filing separate return) . . . 15(b)

16 Part of gain included (subtract line 15a or 15b from line 7) 16

17 Cost of new residence. If you did not buy a new principal residence, enter "None." Then enter the gain from line 16 on Schedule D (Form 1040), line 9a, and do not complete the rest of Form 2119 17

18 Gain taxable this year. (Subtract the sum of lines 15 and 17 from line 9. The result cannot be more than line 16.) If line 17 plus line 15 is more than line 9, enter zero. Enter any taxable gain on Schedule D (Form 1040), line 9a 18

19 Gain to be postponed (subtract line 18 from line 16) 19

20 Adjusted basis of new residence (subtract line 19 from line 17) 20

For Paperwork Reduction Act Notice, see back of form.

Form **2119** (1981)

Form **4255**
(Rev. Nov. 1981)
Department of the Treasury
Internal Revenue Service

Recapture of Investment Credit

(Including Energy Investment Credit)

▶ Attach to your income tax return

OMB No. 1545-0166
Expires 11-30-83

Attach separate schedules for recapture of investment credit from disposed qualified progress expenditure property and property ceasing to be at risk (see instructions for lines 13a and 13b).

Name

Identifying number as shown on page 1 of your tax return

Properties	Kind of property (State whether recovery or nonrecovery. If energy property, show type of property. Indicate if rehabilitation expenditure property.)
A	
B	
C	
D	
E	

Original Investment Credit

Computation Steps:	Properties A	B	C	D	E
1 Original rate of credit					
2 Date property was placed in service					
3 Cost or other basis					
4 Original estimated useful life or class of property (see instructions)					
5 Applicable percentage					
6 Original qualified investment (line 3 times line 5)					
7 Original credit (line 1 times line 6)					
8 Date property ceased to be investment credit property (see instructions)					
9 Number of full years between the date on line 2 and the date on line 8					

Computation of Recapture Tax

Computation Steps:	Properties A	B	C	D	E
10 Recapture percentage (see instructions)					
11 Tentative recapture tax—Line 7 times line 10					

12 Add line 11, columns A through E

13 a Enter tax from disposed qualified progress expenditure property (attach separate computation)

b Enter tax from any part of property ceasing to be at risk (attach separate computation)

14 Total—Add lines 12, 13a and 13b

15 Unused credit—Do not enter more than line 14 (see instructions)

16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return. Do not use this amount to reduce current year's investment credit figured on Form 3468, Computation of Investment Credit. Any unused credit on line 15 cannot be used in any year as a carryback or carryover

For Paperwork Reduction Act Notice, see instructions on back.

Form **4255** (Rev. 11-81)

Form **4684**
Department of the Treasury
Internal Revenue Service

Casualties and Thefts

▶ See instructions on back.
▶ To be filed with Form 1040, 1041, 1065, 1120, etc.

OMB No. 1545-0177
1981

Name(s) as shown on tax return

Identifying Number

Part I Casualty or Theft Gain or Loss (Use a separate Part I for each different casualty or theft.)

	Item or article	Item or article	Item or article	Item or article
1 (a) Kind of property and description				
(b) Date of purchase or acquisition				
2 Cost or basis of each item				
3 Insurance or other reimbursement you received or expect to receive				
4 Gain from casualty or theft. If line 3 is more than line 2, enter difference here and on line 15 or 20, column C. However, see instructions for line 19. Also, skip lines 5 through 14 *If line 2 is more than line 3, enter zero on line 4 and complete lines 5 through 14.*				
5 Fair market value before casualty or theft				
6 Fair market value after casualty or theft				
7 Subtract line 6 from line 5				
8 Enter smaller of line 2 or line 7 **Note:** *If the loss was to property used in a trade or business or for income-producing purposes, and totally destroyed by a casualty or lost from theft, enter on line 8, in each column, the amount from line 2.*				
9 Subtract line 3 from line 8				

10 Casualty or theft loss. Add amounts on line 9

11 Enter the part of line 9 that is from trade, business, or income-producing property here and on line 15 or 20

12 Subtract line 11 from line 10

13 Enter the amount from line 12 or $100, whichever is smaller

14 Subtract line 13 from line 12. Enter here and on line 15 or 20, column B(ii)

Part II Summary of Gains and Losses (From separate Parts I)

	(A) Identify casualty or theft	(B) Losses from casualties or thefts		(C) Gains from casualties or thefts includible in income
		(i) Trade, business, rental or royalty property	(ii) Other property	
	Casualty or Theft of Property Held One Year or Less			
15				
16	Totals. Add amounts on line 15 for each column			
17	Combine line 16, columns (B)(i) and (C). Enter the net gain or (loss) here and on Form 4797, Part II, line 8(a). (If Form 4797 is not otherwise required, see instructions.)			
18	Enter line 16, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			
	Casualty or Theft of Property Held More Than One Year			
19	Any casualty or theft gains from Form 4797, Part III, line 26			
20				
21	Total losses. Add amounts on line 20, columns (B)(i) and (B)(ii)			▨
22	Total gains. Add lines 19 and 20, column (C)			
23	Add line 21, columns (B)(i) and (B)(ii) *If this form is filed by a partnership, enter line 24 or line 25 on Schedule K (Form 1065), line 7.*			
24	If the loss on line 23 is more than the gain on line 22			
	a. Combine line 21, column (B)(i) and line 22. Enter the net gain or (loss) here and on Form 4797, Part II, line 8(a). (If Form 4797 is not otherwise required, see instructions.)			
	b. Enter line 21, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			
25	If the loss on line 23 is equal to or smaller than the gain on line 22, enter the net gain here and on Form 4797, Part I, line 2(a). (If Form 4797 is not otherwise required, see instructions.)			

For Paperwork Reduction Act Notice, see back of form.

Form 4684 (1981)

Schedules R&RF (Form 1040) 1981 OMB No. 1545-0074

Name(s) as shown on Form 1040	Your social security number

Schedule RP **Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System** 21

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s)

RP

Filing Status and Age (check only one box)

- A ☐ Single, under 65
- B ☐ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- C ☐ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1981.
- E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1981, and you are joining with your spouse in electing to use Schedule RP.

Column (b)—Fill out column (b) whether you file a separate or joint return.

Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:
- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)	(b)
1 Enter: $2,500 if you checked box A; $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income; $1,875 if you checked box D or box E	1		
Enter:			
a Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a		
b Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 26 of instructions for definition of earned income.):			
(i) If you are under 62, enter earned income that is over $900	2b(i)		
(ii) If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200 If earned income is over $1,700, enter the amount over $1,450	2b(ii)		
3 Add lines 2a and 2b	3		
4 Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4		
5 Retirement income:			
a If under 65— Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a		
b If 65 or over— Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part I, columns A–C, line 3a. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b		
Enter amount from line 4 or line 5, whichever is less	6		

Add amounts in columns (a) and (b) of line 6. Enter total here ▶	7	
8 Multiply line 7 by 15% (.15)	8	
9 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)	9	
10 Enter the amount from line 8 or line 9, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 ▶	10	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

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Schedules R&RP (Form 1040) 1981 OMB No. 1545-0074

Name(s) as shown on Form 1040	Your social security number

Schedule RP **Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System** 21

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s)

Filing Status and Age (check only one box)

A ☐ Single, under 65

B ☐ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)

C ☐ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)

D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1981.

E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1981, and you are joining with your spouse in electing to use Schedule RP.

RP

Column (b)—Fill out column (b) whether you file a separate or joint return.

Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:
- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)	(b)
1 Enter: $2,500 if you checked box A; $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income; $1,875 if you checked box D or box E	1		
2 Enter:			
a Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a		
b Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 26 of instructions for definition of earned income.):			
(i) If you are under 62, enter earned income that is over $900	2b(i)		
(ii) If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero; If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200; If earned income is over $1,700, enter the amount over $1,450	2b(ii)		
3 Add lines 2a and 2b	3		
4 Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4		
5 Retirement income:			
a If under 65—Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a		
b If 65 or over—Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part I, columns A–C, line 3a. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b		
6 Enter amount from line 4 or line 5, whichever is less	6		

7 Add amounts in columns (a) and (b) of line 6. Enter total here ▶	7	
8 Multiply line 7 by 15% (.15)	8	
9 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)	9	
10 Enter the amount from line 8 or line 9, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 ▶	10	

For Paperwork Reduction Act Notice, see Form 1040 Instructions. ★ U.S. GOVERNMENT PRINTING OFFICE: 1981—0—343-066 95-0873140

SCHEDULE D
(FORM 1040)
Department of the Treasury
[illegible]al Revenue Service (0)

Capital Gains and Losses

(Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.)

▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

OMB No. 1545-0074
1981
14

[illegible]e(s) as shown on Form 1040

Your social security number

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

D

a. Kind of property and description (Example, 100 shares 7% preferred of "Z" Co.)	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis, as adjusted (see instructions page 23)	f. LOSS If column (e) is more than (d) subtract (d) from (e)	g. GAIN If column (d) is more than (e) subtract (e) from (d)
1						

2a Gain from sale or exchange of a principal residence held one year or less, from Form 2119, lines 7 or 11 . . . .
b Short-term capital gain from installment sales from Form 6252, line 19 or 27 . . .
3 Enter your share of net short-term gain or (loss) from partnerships and fiduciaries .
4 Add lines 1 through 3 in column f and column g . . . . ( )
5 Combine line 4, column f and line 4, column g and enter the net gain or (loss) . . . .
6 Short-term capital loss carryover from years beginning after 1969 . . . . ( )
7 Net short-term gain or (loss), combine lines 5 and 6 . . . .

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

8						

9a Gain from sale or exchange of a principal residence held more than one year, from Form 2119, lines 7, 11, 16 or 18 . . . .
b Long-term capital gain from installment sales from Form 6252, line 19 or 27 . . .
10 Enter your share of net long-term gain or (loss) from partnerships and fiduciaries .
11 Add lines 8 through 10 in column f and column g . . . . ( )
12 Combine line 11, column f and line 11, column g and enter the net gain or (loss) . . . .
13 Capital gain distributions . . . .
14 Enter gain from Form 4797, line 5(a)(1) . . . .
15 Enter your share of net long-term gain from small business corporations (Subchapter S) . . . . . .
16 Combine lines 12 through 15 . . . .
[illegible] Long-term capital loss carryover from years beginning after 1969 . . . . ( )
18 Net long-term gain or (loss), combine lines 16 and 17 . . . .

Note: *Complete this form on reverse. However, if you have capital loss carryovers from years beginning before 1970, do not complete Parts III or V. See Form 4798 instead.*

For Paperwork Reduction Act Notice, see Form 1040 Instructions

Part III Summary of Parts I and II

19 Combine lines 7 and 18, and enter the net gain or (loss) here . . . .

NOTE: *If line 19 is a gain complete lines 20 through 22. If line 19 is a loss complete lines 23 and 24.*

20 If line 19 shows a gain, enter the smaller of line 18 or line 19. Enter zero if there is a loss or no entry on line 18 . . . .

21 Enter 60% of line 20 . . . .

If line 21 is more than zero, you may be liable for the alternative minimum tax. See Form 6251.

22 Subtract line 21 from line 19. Enter here and on Form 1040, line 12 . . . .

23 If line 19 shows a loss, enter one of the following amounts:
- *(i)* If line 7 is zero or a net gain, enter 50% of line 19,
- *(ii)* If line 18 is zero or a net gain, enter line 19; or,
- *(iii)* If line 7 and line 18 are net losses, enter amount on line 7 added to 50% of the amount on line 18 . .

24 Enter here and as a loss on Form 1040, line 12, the smallest of:
- *(i)* The amount on line 23;
- *(ii)* $3,000 ($1,500 if married and filing a separate return); or,
- *(iii)* Taxable income, as adjusted . . . .

Part IV Computation of Alternative Tax

(Complete this part if line 20 (or Form 4798, line 8) shows a gain and your tax rate is above 50%. See instructions page 23.)

25 Net short-term gain or (loss) from line 5, from sales or exchanges after June 9, 1981 . . . .

26 Net long-term gain or (loss) from line 16, from sales or exchanges after June 9, 1981 . . . .

27 If line 26 shows a gain, combine line 25 and line 26. If line 26 or this line shows a loss or zero, enter zero and do not complete rest of this part . . . .

28 Enter the smaller of line 26 or line 27 . . . .

29 Enter the smaller of line 20 (or Form 4798, line 8) or line 28 . . . . . .

30 Enter your Taxable Income from Form 1040, line 34 . . . .

31 Enter 40% of line 29 . . . .

32 Subtract line 31 from line 30. If line 31 is more than line 30, enter zero . . . .

33 Tax on amount on line 32. ☐ Tax Rate Schedule X, Y, or Z; ☐ Schedule G. (See instructions page 23) . .

34 Enter 20% of line 29 . . . .

35 Add lines 33 and 34. If the result is less than your tax using other methods, enter this amount on Form 1040, line 35 and check Schedule D box . . . .

Part V Computation of Post-1969 Capital Loss Carryovers from 1981 to 1982

(Complete this part if the loss on line 23 is more than the loss on line 24)

Section A.—Short-term Capital Loss Carryover

36 Enter loss shown on line 7; if none, enter zero and skip lines 37 through 41—then go to line 42 . . . .

37 Enter gain shown on line 18. If that line is blank or shows a loss, enter zero . . . .

38 Reduce any loss on line 36 to the extent of any gain on line 37 . . . .

39 Enter amount shown on line 24 . . . .

40 Enter smaller of line 38 or 39 . . . .

41 Subtract line 40 from line 38. This is your short-term capital loss carryover from 1981 to 1982 . . . . . .

Section B.—Long-term Capital Loss Carryover

42 Subtract line 40 from line 39 (Note: *If you skipped lines 37 through 41, enter amount from line 24*) . . .

43 Enter loss from line 18; if none, enter zero and skip lines 44 through 47 . . . .

44 Enter gain shown on line 7. If that line is blank or shows a loss, enter zero . . . .

45 Reduce any loss on line 43 to the extent of any gain on line 44 . . . .

46 Multiply amount on line 42 by 2 . . . .

47 Subtract line 46 from line 45. This is your long-term capital loss carryover from 1981 to 1982 . . . . . .

Part VI Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶ ....

Enter the percentage of valuation of the note or other obligation ▶

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26

Form **4797**
[illegible]ment of the Treasury
[illegible]l Revenue Service (0)

Supplemental Schedule of Gains and Losses

(Includes Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions)
To be filed with Form 1040, 1041, 1065, 1120, etc.—See Separate Instructions

OMB No. 1545-0184
1981
31

Name(s) as shown on return

Identifying number

Part I Sales or Exchanges of Property Used in a Trade or Business, and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (Except for Certain Livestock)

Note: Use Form 4684 to report involuntary conversions from casualty and theft.
Caution: If you sold property on which you claimed the investment credit, you may be liable for recapture of that credit. See Form 4255 for additional information.

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
1							

2 (a) Gain, if any, from Form 4684, Part II, line 25 . . . .
(b) Section 1231 gain from installment sales from Form 6252, line 19 or 27 . . . .
3 Gain, if any, from line 26, Part III, on back of this form from other than casualty and theft . .
4 Add lines 1 through 3 in column g and column h . . . . ( )
5 Combine line 4, column g and line 4, column h. Enter gain or (loss) here, and on the appropriate line as follows:
(a) For all except partnership returns:
(1) If line 5 is a gain, enter the gain as a long-term capital gain on Schedule D (Form 1040, 1120, etc.) that is being filed. See instruction E.
(2) If line 5 is zero or a loss, enter that amount on line 6.
(b) For partnership returns: Enter the amount shown on line 5 above, on Schedule K (Form 1065), line 8.

Part II Ordinary Gains and Losses

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
6 Loss, if any, from line 5(a)(2)							▨
7 Gain, if any, from line 25, Part III on back of this form						▨	
8 (a) Net gain or (loss) from Form 4684, lines 17 and 24a							
(b) Ordinary gain from installment sales from Form 6252, line 18 or 26						▨	
9 Other ordinary gains and losses (include property held 1 year or less):						▨	▨

10 Add lines 6 through 9 in column g and column h . . . . ( )
11 Combine line 10, column g and line 10, column h. Enter gain or (loss) here, and on the appropriate line as follows:
(a) For all except individual returns: Enter the gain or (loss) shown on line 11, on the line provided on the return (Form 1120, etc.) being filed. See instruction F for specific line reference.
(b) For individual returns:
(1) If the loss on line 6 includes a loss from Form 4684, Part II, column B(ii), enter that part of the loss here and on line 29 of Schedule A (Form 1040). Identify as from "Form 4797, line 11(b)(1)" . . . . . .
(2) Redetermine the gain or (loss) on line 11, excluding the loss (if any) entered on line 11(b)(1). Enter here and on Form 1040, line 14 . . . .

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252, 1254, 1255

Skip lines 20 and 21 if there are no dispositions of farm property or farmland, or if this form is filed by a partnership.

12 Description of sections 1245, 1250, 1251, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A)		
(B)		
(C)		
(D)		

Part III is continued on page 2.

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

501

Relate lines 12(A) through 12(D) to these columns ▶ ▶ ▶	Property (A)	Property (B)	Property (C)	Property (D)
13 Gross sales price minus expense of sale				
14 Cost or other basis				
15 Depreciation (or depletion) allowed (or allowable)				
16 Adjusted basis, subtract line 15 from line 14				
17 Total gain, subtract line 16 from line 13				
18 If section 1245 property:				
(a) Depreciation allowed (or allowable) after applicable date (see instructions)				
(b) Enter smaller of line 17 or 18(a)				
19 If section 1250 property: (If straight line depreciation used, enter zero on line 19(i).)				
(a) Additional depreciation after 12/31/75 (see instructions)				
(b) Applicable percentage times the smaller of line 17 or line 19(a) (see instruction G.4)				
(c) Subtract line 19(a) from line 17. If line 17 is not more than line 19(a), skip lines 19(d) through 19(h)				
(d) Additional depreciation after 12/31/69 and before 1/1/76				
(e) Applicable percentage times the smaller of line 19(c) or 19(d) (see instruction G.4)				
(f) Subtract line 19(d) from line 19(c). If line 19(c) is not more than line 19(d), skip lines 19(g) and 19(h)				
(g) Additional depreciation after 12/31/63 and before 1/1/70				
(h) Applicable percentage times the smaller of line 19(f) or 19(g) (see instruction G.4)				
(i) Add lines 19(b), 19(e), and 19(h)				
20 If section 1251 property:				
(a) If farmland, enter soil, water, and land clearing expenses for current year and the four preceding years				
(b) If farm property other than land, subtract line 18(b) from line 17; if farmland, enter smaller of line 17 or 20(a)				
(c) Excess deductions account (see instruction G.5)				
(d) Enter smaller of line 20(b) or 20(c)				
21 If section 1252 property:				
(a) Soil, water, and land clearing expenses made after 12/31/69				
(b) Amount from line 20(d), if none enter zero				
(c) Subtract line 21(b) from line 21(a). If line 21(b) is more than line 21(a), enter zero				
(d) Line 21(c) times applicable percentage (see instruction G.5)				
(e) Subtract line 21(b) from line 17				
(f) Enter smaller of line 21(d) or 21(e)				
22 If section 1254 property:				
(a) Intangible drilling and development costs deducted after 12/31/75 (see instruction G.6)				
(b) Enter smaller of line 17 or 22(a)				
23 If section 1255 property:				
(a) Applicable percentage of payments excluded from income under section 126 (see instruction G.7)				
(b) Enter the smaller of line 17 or 23(a)				

Summary of Part III Gains (Complete Property columns (A) through (D) through line 23(b) before going to line 24)

24 Total gains for all properties (add columns (A) through (D), line 17) . . . .

25 Add columns (A) through (D), lines 18(b), 19(i), 20(d), 21(f), 22(b) and 23(b). Enter here and on Part II, line 7 .

26 Subtract line 25 from line 24. Enter the portion from casualty and theft on Form 4684, line 19; enter the portion from other than casualty and theft on Form 4797, Part I, line 3 . . . .

Part IV Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶..

Enter the percentage of valuation of the note or other obligation ▶

502

Form **4562**
(Rev. September 1981)
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return	Identifying number

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):				▨	▨	▨
(a) 3-year property						
(b) 5-year property						
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing						
2 Property subject to section 168(e)(2) election (see instructions):			▨	▨		
			▨	▨		
			▨	▨		
			▨	▨		
			▨	▨		
			▨	▨		
3 Totals (add amounts in columns C and G) . . .			▨	▨	▨	

4 Depreciation from Part II, line 3	
5 Total (add column G, lines 3 and 4). Enter this amount on the depreciation expense line (where it applies) of your return	

See Paperwork Reduction Act Notice on page 1 of the separate instructions.

Oregon Depreciation Schedule 1981

Attach this form to your Oregon return.

Name	Social Security number or withholding registration number

Did you have property you began depreciating in 1981? If so, you must use 1980 federal law to figure your Oregon depreciation. You can't use the new federal Accelerated Cost Recovery System (ACRS). ACRS is the depreciation you claimed on Part I of federal Form 4562.

Use this schedule to figure your "Oregon changes" for property you began depreciating in 1981.

Don't use this schedule for property you began depreciating before 1981. Your Oregon depreciation for that property will be the same as the depreciation on your federal return.

Full-year residents—On Form 40, line 3, fill in the amount from line 6 of this schedule.

Part-year and nonresidents—On Form 40NR, line 23, (federal portion) fill in the amount from line 6 of this schedule. On Form 40NR, line 23 (Oregon portion), fill in the amount from line 6 of this schedule that is from:

- property you owned while an Oregon resident OR
- property used to produce Oregon income.

Note: The amount on line 6 of this schedule should include differences for depreciation on all property you began depreciating in 1981. This includes property you didn't use in an Oregon business.

For further instructions, see the separate instruction sheet 150-101-029.

For all assets placed in service after December 31, 1980

Description of property (a)	Date placed in service (b)	Cost or other basis (c)	Method of figuring depreciation (d)	Life or rate (e)	Oregon depreciation for property placed in service in 1981 (f)	Federal depreciation for the property (g)
1 Total additional first-year depreciation. See instructions for limits →						▨
2 Other depreciation:	▨	▨	▨	▨	▨	▨
3 Totals 3						
4 Depreciation on assets listed above in ending inventory 4						
5 Balance. Line 3 minus line 4 5						

6 Change in depreciation for Oregon. Line 5(g) minus line 5(f).
Fill in this amount on Form 40 or Form 40NR. (See instructions above) .... 6 ☐

150-101-025 (10-81)

KEY TO FINAL EXAM

PROBLEMS

SESSION XIX

1. Tax Benefit Rule
   a. none
   b. $200
   c. none
   d. $50
   e. $50 state tax refund and $50 property tax refund ($100 refund of one and -0- of the other would not be incorrect.)
   f. Nothing taxable to federal. $100 property tax refund taxable to Oregon as an "Addition."

2. a. $62,100
   b. $ 4,000
   c. $ 1,800

3. a. $2,800
   b. -0- wash sale

4. a. $333
   b. $666

5. a. $47,000
   b. $43,000
   c. $ 300

6. a. $3516
   b. $4986
   c. $ 486

7. Completed schedule G follows. $1578 saved.

8. Completed schedule A follows.

9. a. Form 2038 follows. Mother's contribution: $2264.00
   Can she claim Johnny? Yes.

10. Completed schedule B and Oregon 40 follow.
    a. $2070
    b. $ 560
    c. $ 230
    d. $ 200
    e. $ 325
    f. $ 10

11. INCOME: FEDERAL, OREGON 70R

	FEDERAL	OREGON	70R	
Rental	(3,000)	(3,000)	(1,000)	limited
Sch. C.	500.	500.		
Partnership	(2,000)	(2,000)	(1,000)	combined bus. limit
Port of Portland	.00	.00	400.	
Utah bond interest (Utah taxable in Oregon, total exclusion for single taxpayer has been used on total Fed.)	.00	200.	200.	
U.S. Bond interest	100.	.00	100.	
Mutual Funds (200 exclusion taken) (70R-not return of capital)	100.	100.	300.	
State Pension (Oregon excluded full amt. Fed. 80% of $4000 taxable 70R, not inc. return of capital)	3,200.	-0-	3,200	
Sale of Land (Fed. and State 40% of the 2,000, 70R total gain)	800.	800.	2,000	
Property tax refund	200.	200.	200.	
State tax refund	300.	.00	300.	

Note Property tax (70R) does not tax own refunds, State does not tax own r-efunds but 70R includes State refunds if taxable on Federal.

12. Completed forms 3903 and 2119 follow.
    a. $68
    b. $238
    c. $1468
    d. $3768
    e. $56,732
    f. $11,700
    g. $45,032
    h. $1,732
    i. $11,700
    j. 24 month replacement - no change
    k. 18 month replacement - fully taxable.

13. Completed form 4255 follows--B $300

14. Completed schedule RP's follow
    a. 1. $800
       2. $150
       3. $400
       4. $60
    b. 1. a
       2. $2500
       3. $225
       4. $34

15. Completed schedule D follows — $2440

16. Completed form 4684 and 4797 follow
    a. -0-
    b. $800
    c. $2250
    d. $200
    e. $1200
    f. $2450
    g. $1450

17. Completed form 4562 and Oregon depreciation schedule follow
    a. $900
    b. $2400

KEY TO FINAL EXAM - SESSION XIX

1. $3,000
2. B
3. C
4. F
5. F
6. T
7. $8,000
8. F
9. D
10. F
11. D
12. E
13. $58,000
14. B
15. F
16. F
17. T
18. T
19. T
20. F
21. F
22. F
23. A
24. B
25. A
26. B
27. T
28. C
29. C
30. D
31. E
32. D
33. C
34. T
35. C
36. A,D
37. $3,000
38. F
39. D
40. T
41. D
42. A
43. B & E
44. $2
45. F
46. F
47. C
48. D
49. F
50. T
51. no one
52. T
53. B
54. a. 1981, 1981
    b. Yes, now income and deduction both taken in 1982
55. C, D, E
56. T
57. C
58. D
59. F
60. T
61. A, D (limited to 11¢/mile)
62. T
63. F
64. FMV at the time of conversion or adjusted basis.
65. F
66. C
67. F
68. D
69. F
70. F
71. E
72. F

73. E
74. D, short-term loss
75. F
76. B
77. A
78. D
79. F
80. F
81. 24 mos.
82. A
83. C
84. T
85. F
86. E
87. T
88. T
89. T
90. D
91. T
92. C
93. T
94. C
95. D
96. E
97. $10 share lont-term capital gain.
$3 share short-term capital gain

98. None
99. Federal $100
Oregon $50
100. T
101. T
102. 1982
103. $180
104. F
105. a. $500
b. $400
106. D
107. F
108. No (exception #1)
109. No (exception #2)
110. T
111. T
112. F
113. F
114. A
115. C, E, G, J, K
116. B
117. B
118. A
119. D
120. A
121. A

122. D
123. A
124. C
125. C
126. B
127. C
128. B
129. D
130. C
131. C
132. A
133. C
134. T
135. F
136. F
137. F
138. T
139. T
140. T
141. T
142. T
143. C, D
144. C, E, G, H
145. A, B, E, F, G
146. a. 2106
b. 2106
c. 2106
d. A
e. 2106
f. 2106

147. F

148. F

149. T

150. F

151. T

152. T

153. 15

154. $15,000

155. T

156. T

157. $10,000

158. $500

159. $5,000

160. 5%

161. a. $50 Federal
     $25 Oregon
  b. $100 Federal
     $50 Oregon

162. T

163. T

164. F

165. T

166. F

167. F

168. T

169. T

170. T

171. T

172. F

173. T

174. 5

175. $120

176. 33 1/3%

177. 1979

178. $50,000

179. F

180. T

181. F

182. T

183. T

184. F

185. T

186. F

187. a. T
  b. F
  c. T
  d. T
  e. F

188. T

189. T

190. T

191. Federal: $200
  Oregon: $100

192. a. 15% Federal
     15% Oregon
  b. 20% Federal
     40% Oregon
  c. 10% Federal
     -0- Oregon
  d. 15% Federal
     -0- Oregon

193. $3750

194. $4000

195. $400

196. F

197. T

198. F

199. F

200. T

201. T

202. T

203. T

204. T

205. F

206. F

207. $100,000

208. Schedule E

209. $3,000

210. 3, 5

211. $3,000

212. -0-

213. Donor

214. $1,200

215. 14

216. F

217. F

218. F

219. F

220. F

221. F
222. F
223. T
224. F
225. F
226. T
227. T
228. F
229. T
230. T
231. T
232.
    a. 11¢
    b. 11¢
    c. 9¢
    d. 20¢
233.
    a. 2
    b. 5
    c. 4
234.
    a. 3%
    b. 1%
235.
    a. ($3,000)
    b. $960
236.
    a. $200
    b. $100
237.
    a. T
    b. F
    c. T
    d. T
238.
    a. F
    b. T
    c. F
    d. T
239. F
240. T
241. F
242. F
243. F
244. T
245. T
246. T
247. F
248. T
249. T
250. T
251. T
252. F
253. E
254. T
255. T
256. T
257. 3 years
258. $750
259. $400
260. Section 1245, ordinary income $1600
261. $14,500

SCHEDULE G
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Income Averaging

▶ See instructions on back.
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
20

Name(s) as shown on Form 1040 ANNE LANE #7

Your social security number

Base Period Income and Adjustments	(a) 1980	(b) 1979	(c) 1978	(d) 1977
1 Enter amount from: Form 1040—line 34 Form 1040A (1977 and 1978)—line 10 Form 1040A (1979 aud 1980)—line 11	25200	17,000	11,950	5000
2 a Multiply $750 by your total number of exemptions each year, 1977 and 1978	▨	▨	750	750
b Multiply $1,000 by your total number of exemptions each year, 1979 and 1980	1000	1000	▨	▨
3 Taxable income (subtract line 2a or 2b from line 1). If less than zero, enter zero	24,200	16,000	11,200	4250
4 Income earned outside of the United States or within U.S. possessions and excluded under sections 911 and 931				
5 Base period income (add lines 3 and 4)	24,200	16,000	11,200	4250

Computation of Averageable Income

6 Taxable income for 1981 from Form 1040, line 34 38,750 <1000>			6	37,750
7 Certain amounts received by owner-employees subject to a penalty under section 72(m)(5)			7	
8 Subtract line 7 from line 6			8	37,750
9 Excess community income			9	
10 Adjusted taxable income (subtract line 9 from line 8). If less than zero, enter zero			10	37,750
11 Add columns (a) through (d), line 5, and enter here	11	55,650		▨
12 Enter 30% of line 11			12	16,695
13 Averageable income (subtract line 12 from line 10)			13	21,055

If line 13 is $3,000 or less, do not complete the rest of this form. You do not qualify for income averaging.

G

Computation of Tax

14 Amount from line 12			14	16,695
15 20% of line 13			15	4211
16 Total (add lines 14 and 15)			16	20906
17 Excess community income from line 9			17	
18 Total (add lines 16 and 17)			18	20906
19 Tax on amount on line 18 (see caution below)			19	4485
20 Tax on amount on line 16 (see caution below)	20	4485		▨
21 Tax on amount on line 14 (see caution below)	21	3114		▨
22 Subtract line 21 from line 20	22	1371		▨
23 Multiply the amount on line 22 by 4			23	5484
Note: If no entry was made on line 7 above, skip lines 24 through 26 and go to line 27.				▨
24 Tax on amount on line 6 (see caution below)	24			▨
25 Tax on amount on line 8 (see caution below)	25			▨
26 Subtract line 25 from line 24			26	
27 Add lines 19, 23, and 26			27	9969
28 Multiply line 27 by .0125			28	125
29 Tax (subtract line 28 from line 27). Enter here and on Form 1040, line 35 and check Schedule G box			29	9844

1/A SAVES $1578

Caution: Use Tax Rate Schedule X, Y, or Z from the Form 1040 instructions, but do not use the Tax Computation Worksheet on that page. Do not use the Tax Table.

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: JAMES & ELEANOR COOGAN #8

Your social security number:

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		150
2 Medicine and drugs	124	
3 Enter 1% of Form 1040, line 31	197	
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		-0-
5 Balance of insurance premiums for medical care not entered on line 1		162
6 Other medical and dental expenses:		
a Doctors, dentists, nurses, etc.		144
b Hospitals		
c Transportation		
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
ORTHO SHOES & BRACES		315
7 Total (add lines 4 through 6d)		621
8 Enter 3% of Form 1040, line 31		591
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero		30
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 ▶		180

Taxes (See page 18 of Instructions.)

11 State and local income	714
12 Real estate	526
13 a General sales (see sales tax tables)	
b General sales on motor vehicles	
14 Personal property	12
15 Other (itemize) ▶	
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶	1252

Interest Expense (See page 18 of Instructions.)

17 Home mortgage	1857
18 Credit and charge cards	47
19 Other (itemize) ▶ Car Loan	121
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	2025

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Contributions (See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)	297
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶	
22 Other than cash (see page 19 of Instructions for required statement)	20
23 Carryover from prior years	
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	317

Casualty or Theft Loss(es) (You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)

25 Loss before reimbursement	1740
26 Insurance or other reimbursement you received or expect to receive	1300
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero	440
28 Enter $100 or amount from line 27, whichever is smaller	100
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶	340

Miscellaneous Deductions (See page 19 of Instructions.)

30 a Union dues	52
b Tax return preparation fee	
31 Other (itemize) ▶	
SAFETY WORK SHOES	35
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶	87

Summary of Itemized Deductions (See page 20 of Instructions.)

A

33 Total medical and dental—from line 10	180
34 Total taxes—from line 16	1252
35 Total interest—from line 20	2025
36 Total contributions—from line 24	317
37 Total casualty or theft loss(es)—from line 29	340
38 Total miscellaneous—from line 32	187
39 Add lines 33 through 38	4201
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 1 or 4, enter $2,300 3, enter $1,700	2400
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) ▶	801

SONNY #9a

PART IV — Include in this part only the income and expenses for the part of the year the dependent lived with you.

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? ☐ Yes ☐ No
(If Yes, please complete items a, b, c, and d, below.)

	Gross Amount	Source
a. Income	$	
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support $

c. Amount of the dependent's income used for other purposes $

d. Amount of dependent's income saved $

FATHER MONTHLY	Expenses for entire household *(Where dependent lived)*		MOTHER MONTHLY
275-	16. Lodging *(Complete items a or b, and item c if applicable)*	a. Rent paid	$ 175
		b. If not rented, show fair rental value of home *(if dependent owns home, include this amount in item 31)*	$
		c. If you completed item b, show below the name and address of the owner of the home	
	Homeowner's name and address		
125	17. Food		$ 100
65	18. Utilities *(heat, light, water, etc.)*		$ 25
35	19. Repairs *(not included in item 16a or item 16b, above)*		$
	20. Other *(Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)*		$
500	21. Total household expenses *(Add items 16 through 20.)*		$ 300
(2)	22. Number of persons *(including dependent)* living in household	(Number) 3	
250	23. Dependent's portion of household expenses *(Item 21 divided by item 22)*		$ 100

Expenses for dependent only	
24. Dependent's portion of household expenses *(Item 23)* 250x3 100x9	$ 750 - F 900 - M
25. Clothing	$ 200
26. Education	$ 25
27. Medical-Dental	$ 1200
28. Travel-Recreation	$ 500
29. Other *(Specify)* PERS. GROOMING	50
TRANSPORTATION	100
CONTRIBUTIONS	29
MUSIC LESSONS	375
TROMBONE	225
	$
30. Total cost of dependent's support for the year *(Add items 24 through 29.)*	$ 4364
31. Amount dependent contributed for own support *(item 15b, plus amount from item 16b if dependent owns home)*	$ — 0 —
32. Amount others contributed for dependent's support *(include amounts by State, local, and other welfare societies or agencies.)*	$ 500 - GRAM 1950 - F
33. Amount you contributed for dependent's support	$ 2264

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

Certificate

I certify that during the taxable year 19____, ________________ (Name of person claiming dependent)

provided more than half the total cost of support for ________________ (Name of dependent)

and I did not and will not claim the dependent's exemption on my Federal income tax return for the above year.

Signature Address Date

PART VI

Declaration (If a joint return, both you and your spouse must sign)

I declare I have examined the information entered on this form, and to the best of my knowledge and belief it is true, correct, and complete.

Your signature Date Spouse's signature Date

If you decide you are not entitled to claim an exemption for the dependent, please complete the withdrawal statement below.

Withdrawal Statement (If a joint return, both you and your spouse must sign)

I no longer believe I am entitled to claim an exemption for ________________ (Name of dependent)

and I withdraw my claim to this exemption. Please make the necessary adjustments to my income tax return for the year shown on the other side of this form.

Your signature Date Spouse's signature Date

MOTHER #96

PART IV — Include in this part only the income and expenses for the part of the year the dependent lived with you.

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? *(If Yes, please complete items a, b, c, and d, below.)* ☐ Yes ☐ No

	Gross Amount	Source
a. Income	$	
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support	$
c. Amount of the dependent's income used for other purposes	$
d. Amount of dependent's income saved	$

Expenses for entire household *(Where dependent lived)*	MONTHLY	Expenses for dependent only	
16. Lodging *(Complete items a or b, and item c if applicable)* a. Rent paid	$	24. Dependent's portion of household expenses *(Item 23)* 225 x 12	$ 2700
b. If not rented, show fair rental value of home *(If dependent owns home, include this amount in item 31)*	$ 250	25. Clothing	$ 200
c. If you completed item b, show below the name and address of the owner of the home		26. Education	$
		27. Medical-Dental	$ 1000
Homeowner's name and address		28. Travel-Recreation	$
		29. Other *(Specify)*	
		PERSONAL GROOMING	100
		SITTER	150
		TRANSPORTATION	50
17. Food	$ 100	CONTRIBUTIONS	100
18. Utilities *(heat, light, water, etc.)*	$ 50		
19. Repairs *(not included in item 16a or item 16b, above)*	$ 50		$
20. Other *(Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)*	$	30. Total cost of dependent's support for the year *(Add items 24 through 29.)*	$ 4300
21. Total household expenses *(Add items 16 through 20.)*	$ 450	31. Amount dependent contributed for own support *(Item 15b, plus amount from item 16b if dependent owns home)* 250 x 12	$ 3000
22. Number of persons *(including dependent)* living in household (Number) 2		32. Amount others contributed for dependent's support *(Include amounts by State, local, and other welfare societies or agencies.)*	$
23. Dependent's portion of household expenses *(Item 21 divided by item 22)*	$ 225	33. Amount you contributed for dependent's support	$ 1300

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

Certificate

I certify that during the taxable year 19____, ______________________ (Name of person claiming dependent)

provided more than half the total cost of support for ______________________ (Name of dependent)

and I did not and will not claim the dependent's exemption on my Federal income tax return for the above year.

Signature ____________ Address ____________ Date ____________

PART VI

Declaration (If a joint return, both you and your spouse must sign)

I declare I have examined the information entered on this form, and to the best of my knowledge and belief it is true, correct, and complete.

Your signature ____________ Date ____________ Spouse's signature ____________ Date ____________

If you decide you are not entitled to claim an exemption for the dependent, please complete the withdrawal statement below.

Withdrawal Statement (If a joint return, both you and your spouse must sign)

I no longer believe I am entitled to claim an exemption for ______________________ (Name of dependent)

and I withdraw my claim to this exemption. Please make the necessary adjustments to my income tax return for the year shown on the other side of this form.

Your signature ____________ Date ____________ Spouse's signature ____________ Date ____________

Schedules A&B (Form 1040) 1981

Schedule B—Interest and Dividend Income

OMB No. 1545-0074 **Page 2**

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)
#10

Your social security number

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount	
1a Interest income (other than qualifying interest from All-Savers Certificates).	▨	▨
CREDIT UNION	50	*
U.S. BOND	10	*
THURSTON CHURCH	10	
LAND SALES CONTRACT	2000	
MONTANA MUNIC. 325	-0-	
1b Total. Add above amounts	2070	
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	▨	▨

ALL SAVERS	200	
1d Total	200	
1e Exclusion (See page 20 of Instructions)	200	

1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d*	0	
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	2070	

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount	
3 DREYFUS	250	
<Q 10* CG 200>		
ATT	100	*
IDS <NQ 25 CG 75>	100	
MULTI INV. OF OR	10	*
CANADIAN MINING	100	
FOREIGN INV.	200	
P.G.E.	200	
<Q 50* NT 125>		
4 Total. Add above amounts	960	
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	275	▨
6 Nontaxable distributions (See Instructions for adjustment to basis)	125	▨
7 Total (add lines 5 and 6)	400	
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	560	

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

B

Part III Foreign Accounts and Foreign Trusts

*EXCLUSION = 230

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?	▨	▨
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520–A, or 926.	▨	▨

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O—343-[illegible]

FULL-YEAR RESIDENTS ONLY

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date		Penalty date

Last name #10	First name and initial	Social Security number
Spouse's last name if different and joint return	Spouse's first name and initial if joint return	Spouse's Social Security number
Mailing address		Telephone number
City	State	ZIP Code
County		

Did you file an Oregon income tax return for 1980? ☐ Yes ☐ No

If NO, give reason: ____________

For office use only

Filing Status

Check only one box

1 ☐ Single

2 ☐ Married filing jointly

3 ☐ Married filing separately ____________ (Spouse's name)

4 ☐ Unmarried head of household ____________ (Person who qualifies you)

5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself					
Spouse					

Dependents ____________ (First names)

Total exemptions claimed ●

1 Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10	1		

OREGON CHANGES TO INCOME

2 Interest received from All Savers Certificates	● 2	200	
3 Changes in depreciation for Oregon	● 3		
4 Other Oregon changes to federal income. Identify ____________	● 4		
5 Oregon adjusted gross income. Add lines 1, 2, 3 and 4	5		

COPY OF ACTUAL RETURN

ADDITIONS

6 Interest on local government bonds of other states	● 6	325	—
7 Other additions. Identify ____________	● 7		
8 Total additions. Add lines 6 and 7	8		
9 Income after additions. Line 5 plus line 8	9		

SUBTRACTIONS

10 1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21	● 10		
11 Oregon income tax refund included in federal income (not property tax refund)	● 11		
12 Interest from U.S. government, such as Series E and H bonds	● 12	10	
13 U.S. public retirement income. Not more than $3,400. See instructions, page 21	● 13		
14 Military active duty pay. Not more than $3,000. See instructions, page 22	● 14		
15 Oregon public retirement income	● 15		
16 Other subtractions. Identify ____________	● 16		
17 Total subtractions. Add lines 10 through 16	17		
18 Income after subtractions. Line 9 minus line 17	18		

Attach W-2 wage slips and payment here

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

43

Form **2119**

Department of the Treasury
Internal Revenue Service (0)

Sale or Exchange of Principal Residence

▶ See instructions on back.

▶ Attach to Form 1040 for year of sale (see instruction C).

OMB No. 1545-0072

1981
24

Note: *Do not include expenses you are deducting as moving expenses.*

Name(s) as shown on Form 1040	Your social security number
Sim #12	

		Yes	No
1 (a)	Date former residence sold ▶ 8-1-80		
(b)	Enter the face amount of any mortgage, note (for example second trust), or other financial instrument on which you will receive periodic payments of principal or interest from this sale ▶	▨	▨
(c)	Have you ever postponed any gain on the sale or exchange of a principal residence?		X
(d)	If you were on active duty in the U.S. Armed Forces or outside of the U.S. after the date of sale of former residence, enter dates. From to	▨	▨
2 (a)	Date you bought new residence. (If none bought, so state). ▶ 9-20-80	▨	▨
(b)	If you constructed new residence, date construction began ▶ date occupied ▶	▨	▨
(c)	Did you use both the old and new properties as your principal residence?	X	
(d)	Are any rooms in either residence rented out or used for business for which a deduction is allowed? (If "Yes" do not include gain on the rented or business portion in line 7; instead include in income on Form 4797.)		X

Part I Computation of Gain and Adjusted Sales Price

4200 + 210 + 90 + 50 <1282 TO 3903> = 3268

3	Selling price of residence. (Do not include selling price of personal property items.)			3	60,000
4	Commissions and other expenses of sale not deducted as moving expenses			4	3268
5	Amount realized (subtract line 4 from line 3)			5	56732
6	Basis of residence sold . 9000 + 1000 + 2000 <300>	6	11,700		
7	Gain on sale (subtract line 6 from line 5). (If line 6 is more than line 5, enter zero and do not complete the rest of form.) If you bought another principal residence during the allowed replacement period or you elect the one time exclusion in Part III, continue with this form. Otherwise, enter the gain on Schedule D (Form 1040), line 2a or 9a.	7	45032		
	If you haven't replaced your residence, do you plan to do so within the replacement period? ☐ Yes ☐ No (If "Yes" see instruction C.)				
8	Fixing-up expenses (see instructions for time limitations.)			8	
9	Adjusted sales price (subtract line 8 from line 5)			9	56732

Part II Computation of Gain to be Postponed and Adjusted Basis of New Residence

10	Cost of new residence	10	55000
11	Gain taxable this year (Subtract line 10 from line 9. Do not enter more than line 7.) If line 10 is more than line 9, enter zero. Enter any taxable gain on Schedule D (Form 1040), line 2a or 9a. If you were 55 or over on the date of sale, see Part III	11	1732
12	Gain to be postponed (subtract line 11 from line 7)	12	43300
13	Adjusted basis of new residence (subtract line 12 from line 10)	13	11,700

Part III Computation of Exclusion, Gain to be Reported, and Adjusted Basis of New Residence

		Yes	No
14 (a)	Were you 55 or over on date of sale?		
(b)	Was your spouse 55 or over on date of sale? (If you answered "No" to 14(a) and 14(b), do not complete the rest of form.)		
(c)	If you answered "Yes" to 14(a) or 14(b) did you own and use the property sold as your principal residence for a total of at least 3 years (except for short temporary absences) of the 5-year period before the sale? (If you are 65 or over and 1(a) is before 7/26/81, see instruction D.)		
(d)	If you answered "Yes" to 14(c), do you elect to take the once in a lifetime exclusion of the gain on the sale? (If "Yes," check yes box and complete the rest of Part III. If "No," return to Part II, line 12 above.)		
(e)	At time of sale, was the residence owned by: ☐ you, ☐ your spouse, ☐ both of you?		
(f)	Social security number of spouse, at time of sale, if different from number on Form 1040 ▶ (Enter "none" if you were not married at time of sale.)	▨	▨

15 (a)	If line 1(a) is before 7/21/81, enter the smaller of line 7 or $100,000 ($50,000, if married filing separate return)	15(a)	
(b)	If line 1(a) is after 7/20/81, enter the smaller of line 7 or $125,000 ($62,500, if married filing separate return)	15(b)	
16	Part of gain included (subtract line 15a or 15b from line 7)	16	
17	Cost of new residence. If you did not buy a new principal residence, enter "None." Then enter the gain from line 16 on Schedule D (Form 1040), line 9a, and do not complete the rest of Form 2119	17	
18	Gain taxable this year. (Subtract the sum of lines 15 and 17 from line 9. The result cannot be more than line 16.) If line 17 plus line 15 is more than line 9, enter zero. Enter any taxable gain on Schedule D (Form 1040), line 9a	18	
19	Gain to be postponed (subtract line 18 from line 16)	19	
20	Adjusted basis of new residence (subtract line 19 from line 17)	20	

For Paperwork Reduction Act Notice, see back of form.

Form **3903**
Department of the Treasury
Internal Revenue Service (X)

Moving Expense Adjustment

▶ Attach to Form 1040.

OMB No. 1545-0062

1981

Name(s) as shown on Form 1040 Sim #12

Your social security number

(a) What is the distance from your former residence to your new job location? 210 miles

(b) What is the distance from your former residence to your former job location? .... miles

(c) If the distance in (a) is 35 or more miles farther than the distance in (b), complete the rest of this form. If the distance is less than 35 miles, you cannot take a deduction for moving expenses. This rule does not apply to members of the armed forces.

1 Transportation expenses in moving household goods and personal effects	1	700
420 x 9¢ = 38 + 30		
2 Travel, meals, and lodging expenses in moving from former to new residence	2	68
3 Pre-move travel, meals, and lodging expenses in searching for a new residence after getting your job 100 + 100 + 38	3	238
4 Temporary living expenses in new location or area during any 30 consecutive days after getting your job 21 x 30 = 630 20 x 30 = 600	4	1230
5 Total. Add lines 3 and 4	5	1468
6 Enter the smaller of line 5 or $1,500 ($750 if married filing a separate return and you lived with your spouse who also started work during the tax year)	6	1468
7 Expenses for: (Check only one box) (a) ☒ sale or exchange of your former residence; or, (b) ☐ if renting, settlement of unexpired lease on your former residence	7	1282
8 Expenses for: (Check only one box) (a) ☒ buying a new residence; or, (b) ☐ if renting, getting a lease on a new residence	8	250
9 Total. Add lines 6, 7, and 8	9	3000
Note: *Amounts on lines 7(a) and 8(a) not deducted because of the $3,000 (or $1,500) limit on moving expenses may generally be used either to decrease the gain on the sale of your residence, or to increase the basis of your new residence. See "Double Benefits" in Instructions.*		
10 Enter the smaller of line 9 or $3,000 ($1,500 if married, filing a separate return, and you lived with your spouse who also started work during the tax year)	10	3000
11 Total moving expenses. Add lines 1, 2, and 10	11	3768
12 Reimbursements and allowances received for this move. Do not report amounts included on your Form W-2	12	
13 If line 12 is less than line 11, enter the difference here and on Form 1040, line 22	13	3768
14 If line 12 is larger than line 11, enter the difference here and on Form 1040, line 20, as "Excess moving reimbursement"	14	

General Instructions

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Who May Deduct Moving Expenses.—If you moved your residence because of a change in the location of your job, you may be able to deduct your moving expenses. You may qualify for a deduction whether you are self-employed or an employee. But you must meet certain tests of distance and time, explained below. If you need more information, please get Publication 521, Moving Expenses.

Note: If you are a U.S. citizen or resident who moved to a new principal work place outside the United States or its possessions, get Form 3903F, Foreign Moving Expense Adjustment.

(1) *Distance Test.*—Your new job location must be at least 35 miles farther from your former residence than your old job location was. For example, if your former job was 3 miles from your former residence, your new job must be at least 38 miles from that residence. If you did not have an old job location, your new job must be at least 35 miles from your former residence. (The distance between the two points is the shortest of the commonly traveled routes between the points.)

(2) *Time Test.*—If you are an employee, you must work full time for at least 39 weeks during the 12 months right after you move. If you are self-employed, you must work for at least 39 weeks during the first 12 months and a total of 78 weeks during the 24 months right after you move.

You may deduct your moving expenses for 1981 even if you have not met the "time" test before your 1981 return is due. You may do this if you expect to meet the 39-week test by the end of 1982 or the 78-week test by the end of 1983. If you have not met the test by then, you will have to do one of the following:

- Amend your 1981 tax return on which you deducted moving expenses. To do this, use Form 1040X, Amended U.S. Individual Income Tax Return.
- Report as income on your tax return for the year you cannot meet the test the amount you deducted on your 1981 return.

(Continued on back)

Form **4255**
(Rev. Nov. 1981)
Department of the Treasury
Internal Revenue Service

Recapture of Investment Credit

(Including Energy Investment Credit)

► **Attach to your income tax return**

OMB No. 1545-0166
Expires 11-30-83

► Attach separate schedules for recapture of investment credit from disposed qualified progress expenditure property and property ceasing to be at risk (see instructions for lines 13a and 13b).

Name #12

Identifying number as shown on page 1 of your tax return

Properties	Kind of property (State whether recovery or nonrecovery. If energy property, show type of property. Indicate if rehabilitation expenditure property.)
A	Equipment #1
B	
C	
D	
E	

Original Investment Credit

Computation Steps:	A	B	C	D	E
1 Original rate of credit	10%				
2 Date property was placed in service	3-1-79				
3 Cost or other basis	9000				
4 Original estimated useful life or class of property (see instructions)	3				
5 Applicable percentage	33 1/3				
6 Original qualified investment (line 3 times line 5)	3000				
7 Original credit (line 1 times line 6)	300				
8 Date property ceased to be investment credit property (see instructions)	2-1-81				
9 Number of full years between the date on line 2 and the date on line 8	2				

Computation of Recapture Tax

	A	B	C	D	E
10 Recapture percentage (see instructions)	100%				
11 Tentative recapture tax—Line 7 times line 10	300				

12 Add line 11, columns A through E	300
13 a Enter tax from disposed qualified progress expenditure property (attach separate computation)	
b Enter tax from any part of property ceasing to be at risk (attach separate computation)	
14 Total—Add lines 12, 13a and 13b	300
15 Unused credit—Do not enter more than line 14 (see instructions)	
16 Total increase in tax—Subtract line 15 from line 14. Enter here and on the proper line of your tax return. Do not use this amount to reduce current year's investment credit figured on Form 3468, Computation of Investment Credit. Any unused credit on line 15 cannot be used in any year as a carryback or carryover	300

For Paperwork Reduction Act Notice, see instructions on back.

Form **4684**
Department of the Treasury
nal Revenue Service

Casualties and Thefts

▶ See instructions on back.
▶ To be filed with Form 1040, 1041, 1065, 1120, etc.

OMB No. 1545-0177

1981

e(s) as shown on tax return: TERRIFIED TAXPAYER #16

Identifying Number

Part I Casualty or Theft Gain or Loss (Use a separate Part I for each different casualty or theft.)

	Item or article	Item or article	Item or article	Item or article
1 (a) Kind of property and description	Pers. Auto			
(b) Date of purchase or acquisition				
2 Cost or basis of each item	3000			
3 Insurance or other reimbursement you received or expect to receive				
4 Gain from casualty or theft. If line 3 is more than line 2, enter difference here and on line 15 or 20, column C. However, see instructions for line 19. Also, skip lines 5 through 14 *If line 2 is more than line 3, enter zero on line 4 and complete lines 5 through 14.*				
5 Fair market value before casualty or theft	1000			
6 Fair market value after casualty or theft	200			
7 Subtract line 6 from line 5	800			
8 Enter smaller of line 2 or line 7 Note: *If the loss was to property used in a trade or business or for income-producing purposes, and totally destroyed by a casualty or lost from theft, enter on line 8, in each column, the amount from line 2.*	800			
9 Subtract line 3 from line 8	800			

10 Casualty or theft loss. Add amounts on line 9	800
Enter the part of line 9 that is from trade, business, or income-producing property here and on line 15 or 20	0
Subtract line 11 from line 10	800
13 Enter the amount from line 12 or $100, whichever is smaller	100
14 Subtract line 13 from line 12. Enter here and on line 15 or 20, column B(ii)	700

Part II Summary of Gains and Losses (From separate Parts I)

(A) Identify casualty or theft	(B) Losses from casualties or thefts: (i) Trade, business, rental or royalty property	(B) Losses from casualties or thefts: (ii) Other property	(C) Gains from casualties or thefts includible in income
Casualty or Theft of Property Held One Year or Less			
15		700	
16 Totals. Add amounts on line 15 for each column		700	
17 Combine line 16, columns (B)(i) and (C). Enter the net gain or (loss) here and on Form 4797, Part II, line 8(a). (If Form 4797 is not otherwise required, see instructions.)			0
18 Enter line 16, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			700
Casualty or Theft of Property Held More Than One Year			
19 Any casualty or theft gains from Form 4797, Part III, line 26			
20			
21 Total losses. Add amounts on line 20, columns (B)(i) and (B)(ii)			▨
22 Total gains. Add lines 19 and 20, column (C)			
23 Add line 21, columns (B)(i) and (B)(ii) *If this form is filed by a partnership, enter line 24 or line 25 on Schedule K (Form 1065), line 7.*			
If the loss on line 23 is more than the gain on line 22			
Combine line 21, column (B)(i) and line 22. Enter the net gain or (loss) here and on Form 4797, Part II, line 8(a). (If Form 4797 is not otherwise required, see instructions.)			
b. Enter line 21, column (B)(ii) here and on line 29 of Schedule A (Form 1040)—identify as "4684"			
25 If the loss on line 23 is equal to or smaller than the gain on line 22, enter the net gain here and on Form 4797, Part I, line 2(a). (If Form 4797 is not otherwise required, see instructions.)			

For Paperwork Reduction Act Notice, see back of form.

Form 4684 (1981)

Schedules R&RP (Form 1040) 1981 OMB No. 1545-0074

Name(s) as shown on Form 1040: Sohu #14a

Your social security number

Schedule RP **Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System** 21

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s): State Retirement

Filing Status and Age (check only one box)

A ☒ Single, under 65

B ☐ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)

C ☐ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)

D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1981.

E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1981, and you are joining with your spouse in electing to use Schedule RP.

RP

Column (b)—Fill out column (b) whether you file a separate or joint return.

Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:
- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)	(b)
1 Enter: $2,500 if you checked box A; $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income; $1,875 if you checked box D or box E	1		2500
2 Enter: a Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a		800
b Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 26 of instructions for definition of earned income.): (i) If you are under 62, enter earned income that is over $900	2b(i)		
(ii) If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero. If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200. If earned income is over $1,700, enter the amount over $1,450. 1500 <1200> = 300 @ 1/2	2b(ii)		150
3 Add lines 2a and 2b	3		950
4 Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4		1550
5 Retirement income: a If under 65— Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a		400
b If 65 or over— Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part I, columns A–C, line 3a. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b		
6 Enter amount from line 4 or line 5, whichever is less	6		400

7 Add amounts in columns (a) and (b) of line 6. Enter total here ▶	7	400
8 Multiply line 7 by 15% (.15)	8	60
9 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)	9	230
10 Enter the amount from line 8 or line 9, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 ▶	10	60

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

★ U.S. GOVERNMENT PRINTING OFFICE: 1981—0—343-086 95-0673140

48

Schedules R&RP (Form 1040) 1981 OMB No. 1545-0074

Name(s) as shown on Form 1040: SOHN & MARY # 46

Your social security number:

Schedule RP Credit for the Elderly—For People Under 65 Who Had Pension or Annuity Income from a Public Retirement System 21

If you are under 72 and received nontaxable pensions (social security, etc.) of $2,500 or more or your earned income (salaries, wages, etc.) was $3,950 or more, you cannot take the credit for the elderly. Do not file this schedule.

Name(s) of public retirement system(s): MULTNOMAH COUNTY

Filing Status and Age (check only one box)

- A ☐ Single, under 65
- B ☐ Married filing joint return, one spouse is under 65, and that person had income from a public retirement system. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- C ☐ Married filing joint return, both under 65. (If you checked this box and had community property income, see Community Property Income on page 26 of the instructions.)
- D ☐ Married filing separate return, under 65, and did not live with your spouse at any time in 1981.
- E ☐ Married filing separate return, 65 or over, did not live with your spouse at any time in 1981, and you are joining with your spouse in electing to use Schedule RP.

RP

OREGON CREDIT = $34.

Column (b)—Fill out column (b) whether you file a separate or joint return.

Column (a)—Fill out column (a) if you file a joint return. Use it only to show amounts for:

- The wife, if both of you were under 65, or
- The spouse who was 65 or over.

		(a)	(b)
1 Enter: $2,500 if you checked box A $3,750 if you checked box B or C. Allocate this amount between you and your spouse, but do not enter more than $2,500 for either of you. It will generally be to your benefit to allocate the greater amount to the spouse with more retirement income $1,875 if you checked box D or box E	1	2500	1250
2 Enter:			
a Amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero	2a	0	0
b Earned income such as wages, salaries, fees, etc. you received (does not apply to people 72 or over). (See page 26 of instructions for definition of earned income.):			
(i) If you are under 62, enter earned income that is over $900	2b(i)	0	18000
(ii) If you are 62 or over but under 72, enter an amount that you will figure as follows: If earned income is $1,200 or less, enter zero If earned income is over $1,200 but not over $1,700, enter one-half of the amount over $1,200 If earned income is over $1,700, enter the amount over $1,450	2b(ii)	0	0
3 Add lines 2a and 2b	3	0	18000
4 Subtract line 3 from line 1. (If the result for either column is more than zero, go on. If the result for either column is zero or less, do not complete the rest of the lines in that column. If the result for both columns is zero or less, you cannot take the credit; do not file this schedule.)	4	2500	0
5 Retirement income:			
a If under 65—Enter only income from pensions and annuities under public retirement systems (e.g. Federal, State Governments, etc.) that you received as a result of your services or services of your spouse that you reported as income. Do not enter social security, railroad retirement or certain other payments reported on line 2a	5a	1500	
b If 65 or over—Enter total of pensions and annuities, interest, dividends, proceeds of retirement bonds, and amounts you received from individual retirement arrangements and individual retirement annuities that you reported as income, and gross rents from: Schedule E, Part I, columns A–C, line 3a. Also include your share of gross rents from partnerships and your share of taxable rents from estates and trusts	5b		
6 Enter amount from line 4 or line 5, whichever is less	6	1500	

7 Add amounts in columns (a) and (b) of line 6. Enter total here ▶	7	1500
8 Multiply line 7 by 15% (.15)	8	225
9 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.)	9	3434
10 Enter the amount from line 8 or line 9, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 ▶	10	225

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—0—343-086 96-0875140

SCHEDULE D
(FORM 1040)
Department of the Treasury
Internal Revenue Service (0)

Capital Gains and Losses

(Examples of property to be reported on this Schedule are gains and losses on stocks, bonds, and similar investments, and gains (but not losses) on personal assets such as a home or jewelry.)
▶ Attach to Form 1040. ▶ See Instructions for Schedule D (Form 1040).

OMB No. 1545-0074
1981
14

Name(s) as shown on Form 1040 #15
Your social security number

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

D

a. Kind of property and description (Example, 100 shares 7% preferred of "Z" Co.)	b. Date acquired (Mo., day, yr.)	c. Date sold (Mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis, as adjusted (see instructions page 23)	f. LOSS If column (e) is more than (d) subtract (d) from (e)	g. GAIN If column (d) is more than (e) subtract (e) from (d)
Central Motors (100 SH.)	12-14-80	11-6-81	4800	3000		1800

		f. LOSS	g. GAIN
2a	Gain from sale or exchange of a principal residence held one year or less, from Form 2119, lines 7 or 11	▨	
b	Short-term capital gain from installment sales from Form 6252, line 19 or 27	▨	
3	Enter your share of net short-term gain or (loss) from partnerships and fiduciaries		
4	Add lines 1 through 3 in column f and column g	( )	1800
5	Combine line 4, column f and line 4, column g and enter the net gain or (loss)		1800
6	Short-term capital loss carryover from years beginning after 1969		( )
7	Net short-term gain or (loss), combine lines 5 and 6		1800

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

a.	b.	c.	d.	e.	f. LOSS	g. GAIN
8 Old Tin Can (100 SH)	2-10-80	11-6-81	3600	1800		1800
Magic Mining (50 SH.)	10-10-80	11-6-81	1100	1300	200	

		f. LOSS	g. GAIN
9a	Gain from sale or exchange of a principal residence held more than one year, from Form 2119, lines 7, 11, 16 or 18	▨	
b	Long-term capital gain from installment sales from Form 6252, line 19 or 27	▨	
10	Enter your share of net long-term gain or (loss) from partnerships and fiduciaries		
11	Add lines 8 through 10 in column f and column g	(200)	1800
12	Combine line 11, column f and line 11, column g and enter the net gain or (loss)		1600
13	Capital gain distributions		
14	Enter gain from Form 4797, line 5(a)(1)		
15	Enter your share of net long-term gain from small business corporations (Subchapter S)		
16	Combine lines 12 through 15		1600
17	Long-term capital loss carryover from years beginning after 1969		( )
18	Net long-term gain or (loss), combine lines 16 and 17		1600

Note: *Complete this form on reverse. However, if you have capital loss carryovers from years beginning before 1970, do not complete Parts III or V. See Form 4798 instead.*

For Paperwork Reduction Act Notice, see Form 1040 Instructions

Part III Summary of Parts I and II

Line			Amount
19	Combine lines 7 and 18, and enter the net gain or (loss) here		3400
	NOTE: *If line 19 is a gain complete lines 20 through 22. If line 19 is a loss complete lines 23 and 24.*		
20	If line 19 shows a gain, enter the smaller of line 18 or line 19. Enter zero if there is a loss or no entry on line 18	1600	
21	Enter 60% of line 20		960
	If line 21 is more than zero, you may be liable for the alternative minimum tax. See Form 6251.		
22	Subtract line 21 from line 19. Enter here and on Form 1040, line 12		2440
23	If line 19 shows a loss, enter one of the following amounts: *(i)* If line 7 is zero or a net gain, enter 50% of line 19, *(ii)* If line 18 is zero or a net gain, enter line 19; or, *(iii)* If line 7 and line 18 are net losses, enter amount on line 7 added to 50% of the amount on line 18 . .		
24	Enter here and as a loss on Form 1040, line 12, the smallest of: *(i)* The amount on line 23; *(ii)* $3,000 ($1,500 if married and filing a separate return); or, *(iii)* Taxable income, as adjusted		

Part IV Computation of Alternative Tax

(Complete this part if line 20 (or Form 4798, line 8) shows a gain and your tax rate is above 50%. See instructions page 23.)

Line			Amount
25	Net short-term gain or (loss) from line 5, from sales or exchanges after June 9, 1981		
26	Net long-term gain or (loss) from line 16, from sales or exchanges after June 9, 1981		
27	If line 26 shows a gain, combine line 25 and line 26. If line 26 or this line shows a loss or zero, enter zero and do not complete rest of this part		
28	Enter the smaller of line 26 or line 27		
29	Enter the smaller of line 20 (or Form 4798, line 8) or line 28		
30	Enter your Taxable income from Form 1040, line 34		
31	Enter 40% of line 29		
32	Subtract line 31 from line 30. If line 31 is more than line 30, enter zero		
33	Tax on amount on line 32. ☐ Tax Rate Schedule X, Y, or Z; ☐ Schedule G. (See instructions page 23) . .		
34	Enter 20% of line 29		
35	Add lines 33 and 34. If the result is less than your tax using other methods, enter this amount on Form 1040, line 35 and check Schedule D box		

Part V Computation of Post-1969 Capital Loss Carryovers from 1981 to 1982

(Complete this part if the loss on line 23 is more than the loss on line 24)

Section A.—Short-term Capital Loss Carryover

Line		Amount
36	Enter loss shown on line 7; if none, enter zero and skip lines 37 through 41—then go to line 42	
37	Enter gain shown on line 18. If that line is blank or shows a loss, enter zero	
38	Reduce any loss on line 36 to the extent of any gain on line 37	
39	Enter amount shown on line 24	
40	Enter smaller of line 38 or 39	
41	Subtract line 40 from line 38. This is your short-term capital loss carryover from 1981 to 1982	

Section B.—Long-term Capital Loss Carryover

Line		Amount
42	Subtract line 40 from line 39 (Note: *If you skipped lines 37 through 41, enter amount from line 24*) . . .	
43	Enter loss from line 18; if none, enter zero and skip lines 44 through 47	
44	Enter gain shown on line 7. If that line is blank or shows a loss, enter zero	
45	Reduce any loss on line 43 to the extent of any gain on line 44	
46	Multiply amount on line 42 by 2	
47	Subtract line 46 from line 45. This is your long-term capital loss carryover from 1981 to 1982	

Part VI Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶ ....

Enter the percentage of valuation of the note or other obligation ▶

Form **4797**
Department of the Treasury
Internal Revenue Service (0)

Supplemental Schedule of Gains and Losses

(Includes Gains and Losses From Sales or Exchanges of Assets Used in a Trade or Business and Involuntary Conversions)
To be filed with Form 1040, 1041, 1065, 1120, etc.—See Separate Instructions

OMB No. 1545-0184
1981
31

Name(s) as shown on return: TERRIFIED TAXPAYER #16

Identifying number:

Part I Sales or Exchanges of Property Used in a Trade or Business, and Involuntary Conversions From Other Than Casualty and Theft—Property Held More Than 1 Year (Except for Certain Livestock)

Note: *Use Form 4684 to report involuntary conversions from casualty and theft.*
Caution: *If you sold property on which you claimed the investment credit, you may be liable for recapture of that credit. See Form 4255 for additional information.*

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
1							
5 Dairy Cows	5-17-79	6-30-81	800	0	0		800

	g. LOSS	h. GAIN
2 (a) Gain, if any, from Form 4684, Part II, line 25	▨	
(b) Section 1231 gain from installment sales from Form 6252, line 19 or 27	▨	
3 Gain, if any, from line 26, Part III, on back of this form from other than casualty and theft	▨	1450
4 Add lines 1 through 3 in column g and column h	( )	2250
5 Combine line 4, column g and line 4, column h. Enter gain or (loss) here, and on the appropriate line as follows:		2250

(a) For all except partnership returns:
(1) If line 5 is a gain, enter the gain as a long-term capital gain on Schedule D (Form 1040, 1120, etc.) that is being filed. See instruction E.
(2) If line 5 is zero or a loss, enter that amount on line 6.
(b) For partnership returns: Enter the amount shown on line 5 above, on Schedule K (Form 1065), line 8.

Part II Ordinary Gains and Losses

a. Kind of property and description	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price minus expense of sale	e. Depreciation allowed (or allowable) since acquisition	f. Cost or other basis, plus improvements	g. LOSS (f minus the sum of d and e)	h. GAIN (d plus e minus f)
6 Loss, if any, from line 5(a)(2)							▨
7 Gain, if any, from line 25, Part III on back of this form						▨	1000
8 (a) Net gain or (loss) from Form 4684, lines 17 and 24a							
(b) Ordinary gain from installment sales from Form 6252, line 18 or 26						▨	
9 Other ordinary gains and losses (include property held 1 year or less):						▨	▨
1 Dairy Cow	9-12-80	12-31-81 13	500	20	320		200
10 Add lines 6 through 9 in column g and column h						( )	1200
11 Combine line 10, column g and line 10, column h. Enter gain or (loss) here, and on the appropriate line as follows:							1200

(a) For all except individual returns: Enter the gain or (loss) shown on line 11, on the line provided on the return (Form 1120, etc.) being filed. See instruction F for specific line reference.
(b) For individual returns:
(1) If the loss on line 6 includes a loss from Form 4684, Part II, column B(ii), enter that part of the loss here and on line 29 of Schedule A (Form 1040). Identify as from "Form 4797, line 11(b)(1)"
(2) Redetermine the gain or (loss) on line 11, excluding the loss (if any) entered on line 11(b)(1). Enter here and on Form 1040, line 14 — 1200

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1251, 1252, 1254, 1255

Skip lines 20 and 21 if there are no dispositions of farm property or farmland, or if this form is filed by a partnership.

12 Description of sections 1245, 1250, 1251, 1252, 1254, and 1255 property:	Date acquired (mo., day, yr.)	Date sold (mo., day, yr.)
(A) 1 TRACTOR	10-12-75	12-21-81
(B) FARM BLDG & 1 ACRE	1-5-74	12-28-81
(C)		
(D)		

Part III is continued on page 2.

For Paperwork Reduction Act Notice, see page 1 of separate instructions.

526

52

Relate lines 12(A) through 12(D) to these columns ▶ ▶ ▶	Property (A)	Property (B)	Property (C)	Property (D)
13 Gross sales price minus expense of sale	2000	10,200		
14 Cost or other basis	5000	10,000		
15 Depreciation (or depletion) allowed (or allowable)	4000	1250		
16 Adjusted basis, subtract line 15 from line 14	1000	8750		
17 Total gain, subtract line 16 from line 13	1000	1450		
18 If section 1245 property:				
(a) Depreciation allowed (or allowable) after applicable date (see instructions)	4000			
(b) Enter smaller of line 17 or 18(a)	1000			
19 If section 1250 property: (If straight line depreciation used, enter zero on line 19(i).)				
(a) Additional depreciation after 12/31/75 (see instructions)				
(b) Applicable percentage times the smaller of line 17 or line 19(a) (see instruction G.4)				
(c) Subtract line 19(a) from line 17. If line 17 is not more than line 19(a), skip lines 19(d) through 19(h)				
(d) Additional depreciation after 12/31/69 and before 1/1/76				
(e) Applicable percentage times the smaller of line 19(c) or 19(d) (see instruction G.4)				
(f) Subtract line 19(d) from line 19(c). If line 19(c) is not more than line 19(d), skip lines 19(g) and 19(h)				
(g) Additional depreciation after 12/31/63 and before 1/1/70				
(h) Applicable percentage times the smaller of line 19(f) or 19(g) (see instruction G.4)				
(i) Add lines 19(b), 19(e), and 19(h)		-0-		
20 If section 1251 property:				
(a) If farmland, enter soil, water, and land clearing expenses for current year and the four preceding years				
(b) If farm property other than land, subtract line 18(b) from line 17; if farmland, enter smaller of line 17 or 20(a)				
(c) Excess deductions account (see instruction G.5)				
(d) Enter smaller of line 20(b) or 20(c)				
21 If section 1252 property:				
(a) Soil, water, and land clearing expenses made after 12/31/69				
(b) Amount from line 20(d), if none enter zero				
(c) Subtract line 21(b) from line 21(a). If line 21(b) is more than line 21(a), enter zero				
(d) Line 21(c) times applicable percentage (see instruction G.5)				
(e) Subtract line 21(b) from line 17				
(f) Enter smaller of line 21(d) or 21(e)				
22 If section 1254 property:				
(a) Intangible drilling and development costs deducted after 12/31/75 (see instruction G.6)				
(b) Enter smaller of line 17 or 22(a)				
23 If section 1255 property:				
(a) Applicable percentage of payments excluded from income under section 126 (see instruction G.7)				
(b) Enter the smaller of line 17 or 23(a)				

Summary of Part III Gains (Complete Property columns (A) through (D) through line 23(b) before going to line 24)

24 Total gains for all properties (add columns (A) through (D), line 17)	2450
25 Add columns (A) through (D), lines 18(b), 19(i), 20(d), 21(f), 22(b) and 23(b). Enter here and on Part II, line 7	1000
26 Subtract line 25 from line 24. Enter the portion from casualty and theft on Form 4684, line 19; enter the portion from other than casualty and theft on Form 4797, Part I, line 3	1450

Part IV **Complete this Part Only if You are Electing Out of the Installment Method And are Reporting a Note or Other Obligation at Less Than Full Face Value**

☐ Check here if you elect out of the installment method.

Enter the face amount of the note or other obligation ▶

Enter the percentage of valuation of the note or other obligation ▶

Form **4562**
(Rev. September 1981)
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return: Smith #17

Identifying number:

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):						
(a) 3-year property						
(b) 5-year property	1981	6000		ACRS	15	900
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing						
2 Property subject to section 168(e)(2) election (see instructions):						
3 Totals (add amounts in columns C and G)						900
4 Depreciation from Part II, line 3						
5 Total (add column G, lines 3 and 4). Enter this amount on the depreciation expense line (where it applies) of your return						900

See Paperwork Reduction Act Notice on page 1 of the separate instructions.

Form 4562 (Rev. 9-81)

Oregon Depreciation Schedule 1981

Attach this form to your Oregon return.

Name: SMITH. #17

Social Security number or withholding registration number:

Did you have property you began depreciating in 1981? If so, you must use 1980 federal law to figure your Oregon depreciation. You can't use the new federal Accelerated Cost Recovery System (ACRS). ACRS is the depreciation you claimed on Part I of federal Form 4562.

Use this schedule to figure your "Oregon changes" for property you began depreciating in 1981.

Don't use this schedule for property you began depreciating before 1981. Your Oregon depreciation for that property will be the same as the depreciation on your federal return.

Full-year residents—On Form 40, line 3, fill in the amount from line 6 of this schedule.

Part-year and nonresidents—On Form 40NR, line 23, (federal portion) fill in the amount from line 6 of this schedule. On Form 40NR, line 23 (Oregon portion), fill in the amount from line 6 of this schedule that is from:

- property you owned while an Oregon resident OR
- property used to produce Oregon income.

Note: The amount on line 6 of this schedule should include differences for depreciation on all property you began depreciating in 1981. This includes property you didn't use in an Oregon business.

For further instructions, see the separate instruction sheet 150-101-029.

For all assets placed in service after December 31, 1980

Description of property (a)	Date placed in service (b)	Cost or other basis (c)	Method of figuring depreciation (d)	Life or rate (e)	Oregon depreciation for property placed in service in 1981 (f)	Federal depreciation for the property (g)
1 Total additional first-year depreciation. See instructions for limits.→						
2 Other depreciation:						
EQUIPMENT	1-15-81	6000	DDB	5	2400	900

		(f)	(g)
3 Totals	3	2400	900
4 Depreciation on assets listed above in ending inventory	4		
5 Balance. Line 3 minus line 4	5	2400	900

6 Change in depreciation for Oregon. Line 5(g) minus line 5(f). Fill in this amount on Form 40 or Form 40NR. (See instructions above) 6 1500

SESSION XX
REVIEW OF ALL SESSIONS

Reading Assignment: Review all sessions

I. Review

- A. Review final exam taken in previous session
- B. Review any assignment not yet covered in class
- C. Review tax returns completed for credit and/or experience.
- D. Answer all questions students have at this time.
- E. Review sample returns in Publication 17 and Publication 225.

II. Interview Techniques

III. Teaching Hints:

If additional classtime is available on the term schedule AFTER students have sat for the state licensing exam, it is advised that 1982 changes to the law be covered.

1982 tax form changes will be available from Package X (I.R.S.) by this time.

IV. Resources for the teacher:

Keys to situations - Student Workbook Session XIX.

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) Situation 1

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name: Ann V. Proctor
Your social security number: 534 | 10 | 7652
Present home address (Number and street, including apartment number, or rural route): 114 N.W. Albin Way
Spouse's social security no.
City, town or post office, State and ZIP code: Cliff, Or 97071
Your occupation ▶ Office Mgr.
Spouse's occupation ▶

Presidential Election Campaign ▶ Do you want $1 to go to this fund? ☐ Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status
Check only one box.
1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☒ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.
6a ☒ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 1
c First names of your dependent children who lived with you ▶ Tom
Jane
Enter number of children listed on 6c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶ 2
e Total number of exemptions claimed . . . . . Add numbers entered in boxes above ▶ 3

Income
Please attach Copy B of your Forms W-2 here.
If you do not have a W-2, see page 5 of Instructions.
Please attach check or money order here.

				Line	Amount
7	Wages, salaries, tips, etc.			7	14,200
8a	Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a	173		
b	Dividends (attach Schedule B if over $400)	8b	184		
c	Total. Add lines 8a and 8b	8c	357		
d	Exclusion (See page 9 of Instructions)	8d	200		
e	Subtract line 8d from line 8c (but not less than zero)			8e	157
9	Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)			9	30
10	Allimony received			10	
11	Business income or (loss) (attach Schedule C) ▶			11	
12	Capital gain or (loss) (attach Schedule D)			12	
13	40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14	Supplemental gains or (losses) (attach Form 4797)			14	
15	Fully taxable pensions and annuities not reported on line 16			15	
16a	Other pensions and annuities. Total received	16a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)			17	
18	Farm income or (loss) (attach Schedule F) ▶			18	
19a	Unemployment compensation (insurance). Total received	19a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			19b	
20	Other income (state nature and source—see page 11 of Instructions) ▶			20	
21	Total income. Add amounts in column for lines 7 through 20 ▶			21	14,387

Adjustments to Income
(See Instructions on page 11)

				Line	Amount
22	Moving expense (attach Form 3903 or 3903F)	22			
23	Employee business expenses (attach Form 2106)	23			
24	Payments to an IRA (enter code from page 11 ....)	24			
25	Payments to a Keogh (H.R. 10) retirement plan	25			
26	Interest penalty on early withdrawal of savings	26			
27	Alimony paid	27			
28	Disability income exclusion (attach Form 2440)	28			
29	Other adjustments—see page 12 ▶	29			
30	Total adjustments. Add lines 22 through 29 ▶			30	

Adjusted Gross Income

				Line	Amount
31	Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶			31	14,387

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O—343-057 65-0073146

Tax Computation

(See Instructions on page 12)

32a Amount from line 31 *(adjusted gross income)* . . . 32a 14387

32b If you do not itemize deductions, enter zero . . . 32b 227
If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 . . .

Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if:

- *You are married filing a separate return and your spouse itemizes deductions, OR*
- *You file Form 4563, OR*
- *You are a dual-status alien.*

32c Subtract line 32b from line 32a . . . 32c 14160

33 Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e . . 33 3000

34 Taxable Income. Subtract line 33 from line 32c . . . 34 11,160

35 Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726 . . . 35 1551

36 Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax . . . 36

37 **Total.** Add lines 35 and 36 . . . ▶ 37 1551

Credits

(See Instructions on page 13)

38 Credit for contributions to candidates for public office . . . 38

39 Credit for the elderly *(attach Schedules R&RP)* . . . 39

40 Credit for child and dependent care expenses (attach Form 2441) . . . 40 340

41 Investment credit *(attach Form 3468)* . . . 41

42 Foreign tax credit *(attach Form 1116)* . . . 42

43 Work incentive (WIN) credit *(attach Form 4874)* . . . 43

44 Jobs credit *(attach Form 5884)* . . . 44

45 Residential energy credit *(attach Form 5695)* . . . 45 23

46 **Total credits.** Add lines 38 through 45 . . . 46 363

47 **Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) . ▶ 47 1188

Other Taxes

(Including Advance EIC Payments)

48 Self-employment tax *(attach Schedule SE)* . . . 48

49a Minimum tax. Attach Form 4625 and check here ▶ ☐ . . . 49a

49b Alternative minimum tax. Attach Form 6251 and check here ▶ ☐ . . . 49b

50 Tax from recomputing prior-year investment credit *(attach Form 4255)* . . . 50

51a Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)* . . 51a

51b Uncollected employee FICA and RRTA tax on tips *(from Form W–2)* . . . 51b

52 Tax on an IRA *(attach Form 5329)* . . . 52

53 Advance earned income credit (EIC) payments received *(from Form W–2)* . . . 53

06

54 **Total tax.** Add lines 47 through 53 . . . ▶ 54 1188

Payments

Attach Forms W–2, W–2G, and W–2P to front.

55 Total Federal income tax withheld . . . 55 2124

56 1981 estimated tax payments and amount applied from 1980 return . 56

57 Earned income credit. If line 32a is under $10,000, see page 15 of Instructions . . . 57

58 Amount paid with Form 4868 . . . 58

59 Excess FICA and RRTA tax withheld (two or more employers) 59

60 Credit for Federal tax on special fuels and oils (attach Form 4136 or 4136–T) . . . 60

61 Regulated Investment Company credit *(attach Form 2439)* 61

62 **Total.** Add lines 55 through 61 . . . ▶ 62 2124

Refund or Balance Due

63 If line 62 is larger than line 54, enter amount **OVERPAID** . . . ▶ 63 936

64 Amount of line 63 to be **REFUNDED TO YOU** . . . ▶ 64 936 00

65 Amount of line 63 to be applied to your 1982 estimated tax . . . ▶ 65

66 If line 54 is larger than line 62, enter **BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ 66
(Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had inco

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature

Date

Check if self-employed ▶ ☐

Preparer's social security XXX XX XXXX

Firm's name (or yours, if self-employed) and address ▶

E.I. No. ▶

ZIP code ▶

4

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040 ANN PROCTOR

Your social security number 534 10 7632

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		130	
2 Medicine and drugs	196		
3 Enter 1% of Form 1040, line 31	144		
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		52	
5 Balance of insurance premiums for medical care not entered on line 1		130	
6 Other medical and dental expenses:			
a Doctors, dentists, nurses, etc.		672	
b Hospitals			
c Transportation			
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶			
7 Total (add lines 4 through 6d)		854	
8 Enter 3% of Form 1040, line 31		432	
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero		422	
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 ▶		552	

Taxes (See page 18 of Instructions.)

11 State and local income	469	
12 Real estate	587	
13 a General sales (see sales tax tables)		
b General sales on motor vehicles		
14 Personal property		
15 Other (itemize) ▶		
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶	1056	

Interest Expense (See page 18 of Instructions.)

17 Home mortgage	726	
18 Credit and charge cards		
19 Other (itemize) ▶		
U.S. Bank	58	
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	784	

Contributions (See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)	125	
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶		
22 Other than cash (see page 19 of Instructions for required statement)		
23 Carryover from prior years		
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	125	

Casualty or Theft Loss(es) (You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)

25 Loss before reimbursement		
26 Insurance or other reimbursement you received or expect to receive		
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero		
28 Enter $100 or amount from line 27, whichever is smaller		
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶		

Miscellaneous Deductions (See page 19 of Instructions.)

30 a Union dues		
b Tax return preparation fee		
31 Other (itemize) ▶		
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶		

Summary of Itemized Deductions (See page 20 of Instructions.) **A**

33 Total medical and dental—from line 10	552	
34 Total taxes—from line 16	1056	
35 Total interest—from line 20	784	
36 Total contributions—from line 24	135	
37 Total casualty or theft loss(es)—from line 29		
38 Total miscellaneous—from line 32		
39 Add lines 33 through 38	2527	
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400; 1 or 4, enter $2,300; 3, enter $1,700	2300	
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) ▶	227	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

5

Form **5695**
Department of the Treasury
Internal Revenue Service (0)

Residential Energy Credit

▶ Attach to Form 1040. ▶ See instructions on back.

OMB No. 1545-0214
1981
33

Name(s) as shown on Form 1040: Ann Proctor

Your social security number: 534 | 10 | 763

Enter in the space below the address of your principal residence on which the credit is claimed if it is different from the address shown on Form 10

If you have an energy credit carryover from a previous tax year and no energy savings costs this year, skip to Part III, line 24.

Part I Fill in your energy conservation costs (but do not include repair or maintenance costs).

1 Was your principal residence substantially completed before April 20, 1977? ☒ Yes ☐ No

Note: You MUST answer this question. Failure to do so will delay the processing of your return. If you checked the "No" box, you CANNOT claim an energy credit under Part I and you should not fill in lines 2 through 12 of this form.

2 a Insulation	2a		
b Storm (or thermal) windows or doors	2b	150	
c Caulking or weatherstripping	2c		
d A replacement burner for your existing furnace that reduces fuel use	2d		
e A device for modifying flue openings to make a heating system more efficient	2e		
f An electrical or mechanical furnace ignition system that replaces a gas pilot light	2f		
g A thermostat with an automatic setback	2g		
h A meter that shows the cost of energy used	2h		
3 Total (add lines 2a through 2h)	3		
4 Enter the part of expenditures made from nontaxable government grants and subsidized financing	4		
5 Subtract line 4 from line 3	5	150	
6 Maximum amount of cost on which credit can be figured	6	$2,000	00
7 Enter the total energy conservation costs for this residence from your 1978, 1979, and 1980 Form 5695, line 2	7	0	
8 Subtract line 7 from line 6	8	2000	
9 Enter the amount of nontaxable government grants and subsidized financing entered on line 4	9	0	
10 Subtract line 9 from line 8. If zero or less, do not complete the rest of this part	10	2000	
11 Enter the amount on line 5 or line 10, whichever is less	11	150	
12 Enter 15% of line 11 here and include in amount on line 23 below	12	23	

Part II Fill in your renewable energy source costs (but do not include repair or maintenance costs).

13 a Solar ______ 13 b Geothermal ______ 13 c Wind ______ Total ▶	13d		
14 Enter the part of expenditures made from nontaxable government grants and subsidized financing	14		
15 Subtract line 14 from line 13	15		
16 Maximum amount of cost on which credit can be figured	16	$10,000	00
17 Enter the total renewable energy source cost for this residence from your 1978 Form 5695, line 5 and your 1979 and 1980 Forms 5695, line 9	17		
18 Subtract line 17 from line 16	18		
19 Enter the amount of nontaxable government grants and subsidized financing entered on line 14	19		
20 Subtract line 19 from line 18. If zero or less, do not complete the rest of this part	20		
21 Enter the amount on line 15 or line 20, whichever is less	21		
22 Enter 40% of line 21 here and include in amount on line 23 below	22		

Part III Fill in this part to figure the limitation

23 Add lines 12 and 22. *If less than $10, enter zero*	23	23	
24 *Enter your energy credit carryover from a previous tax year. Caution—Do not make an entry on this line if your 1980 Form 1040, line 47, showed an amount of more than zero*	24	0	
25 Add lines 23 and 24	25	23	
26 Enter the amount of tax shown on Form 1040, line 37	26	1551	
27 Add lines 38 through 44 from Form 1040 and enter the total	27	346	
28 Subtract line 27 from line 26. If zero or less, enter zero	28	1211	
29 Residential energy credit. Enter the amount on line 25 or line 28, whichever is less. Also, enter this amount on Form 1040, line 45. Complete Part IV below if this line is less than line 25	29	23	

Part IV Fill in this part to figure your carryover to 1982 (Complete only if line 29 is less than line 25)

30 Enter amount from Part III, line 25	30		
31 Enter amount from Part III, line 29	31		
32 Credit carryover to 1982 (subtract line 31 from line 30)	32		

For Paperwork Reduction Act Notice, see instructions on back.

6

Form **2441**
Department of the Treasury
Internal Revenue Service (01)

Credit for Child and Dependent Care Expenses

▶ Attach to Form 1040.
▶ See Instructions below.

OMB No. 1545-0068
1981
26

Name(s) as shown on Form 1040: ANN V. PROCTOR

Your social security number: 534 | 10 | 7632

1 See the definition for "qualifying person" in the instructions. Then read the instructions for line 1.

(a) Name of qualifying person	(b) Date of birth	(c) Relationship	(d) During 1981, the person lived with you for: Months	Days
TOM	7-2-74	SON	12	
JANE	8-12-75	DTR	12	

2 Persons or organizations who cared for those listed on line 1. See the instructions for line 2.

(a) Name and address (If more space is needed, attach schedule)	(b) Social security number, if applicable	(c) Relationship, if any	(d) Period of care From Month—Day	To Month—Day	(e) Amount of 1981 expenses (include those not paid during the year)
MRS CLARK		NONE	1-1	5-31	1000
TINY TOT NURSERY		NONE	9-1	12-31	400
GRANDMA		MOTHER	6-1	8-31	300

To Figure Your Credit, You MUST Complete ALL Lines That Apply

3 Add the amounts in column 2(e)	3	1700
4 Enter $2,000 ($4,000 if you listed two or more names in line 1) or amount on line 3, whichever is less	4	1700
5 Earned income (wages, salaries, tips, etc.). See the instructions for line 5. An entry MUST be made on this line. (a) If unmarried at end of 1981, enter your earned income (b) If married at end of 1981, enter: (1) Your earned income . . . $ ______ Enter the lesser (2) Your spouse's earned income $ ______ of b(1) or b(2) ▶	5	14,200
6 Enter the amount on line 4 or line 5, whichever is less	6	1700
7 Amount on line 6 paid during 1981. An entry MUST be made on this line ▶	7	1700
8 Child and dependent child care expenses for 1980 paid in 1981. See instructions for line 8	8	0
9 Add amounts on lines 7 and 8	9	1700
10 Multiply line 9 by 20 percent	10	340
11 Limitation: a Enter tax from Form 1040, line 37 . . . 11a 1551 b Enter total of lines 38, 39, and 41 through 43 of Form 1040 . . 11b 0		
c Subtract line 11b from line 11a (if line 11b is more than line 11a, enter zero)	11c	1551
12 Credit for child and dependent care expenses. Enter the smaller of line 10 or line 11c here and on Form 1040, line 40	12	340

13 If payments listed on line 2 were made to an individual, complete the following:	Yes	No
(a) If you paid $50 or more in a calendar quarter to an individual, were the services performed in your home?		X
(b) If "Yes," have you filed appropriate wage tax returns on wages for services in your home (see instructions for line 13)?		X

(c) If answer to (b) is "Yes," enter your employer identification number ▶

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

General Instructions

If you or your spouse worked or looked for work, and you spent money to care for a qualifying person, this form might save you tax.

What is the Child and Dependent Care Expenses Credit?—This is a credit you can take against your tax if you paid someone to care for your child or dependent so that you could work or look for work. You can also take the credit if you paid someone to care for your spouse. The instructions that follow list tests that must be met to take the credit. If you need more information, please get Publication 503, Child and Disabled Dependent Care.

For purposes of this credit, we have defined some of the terms used here. Refer to these when you read the instructions.

Definitions

A qualifying person can be:

- Any person under age 15 whom you list as a dependent. (If you are divorced, legally separated, or separated under a written agreement, please see the Child Custody Test in the instructions.)
- Your spouse who is mentally or physically not able to care for himself or herself.
- Any person not able to care for himself or herself whom you can list as a dependent, or could list as a dependent except that he or she had income of $1,000 or more.

A relative is your child, stepchild, mother, father, grandparent, brother, sister, grandchild, uncle, aunt, nephew, niece, stepmother, stepfather, stepbrother, stepsister, mother-in-law, father-in-law, brother-in-law, sister-in-law, son-in-law, and daughter-in-law. A cousin is not a relative for purpose of this credit.

A full-time student is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 1981.

What Are Child and Dependent Care Expenses?

These expenses are the amounts you paid for household services and care of the qualifying person.

Household Services.—These are services performed by a cook, housekeeper, governess, maid, cleaning person, babysitter, etc. The services must have been needed to care for the qualifying person as well as run the home. For example, if you paid for the services of a maid or a cook, the services must have also been for the benefit of the qualifying person.

Care of the Qualifying Person.—Care includes cost of services for the well-being and protection of the qualifying person.

(Continued on back)

PART IV — Include in this part only the income and expenses for the part of the year the dependent lived with you.

15. Did dependent receive any income, such as wages, interest, dividends, pensions, rents, social security, welfare? *(If Yes, please complete items a, b, c, and d, below.)* ☐ Yes ☐ No

	Gross Amount	Source
a. Income	$	
	$	
	$	
	$	
	$	

b. Amount of the dependent's income used for his or her support $

c. Amount of the dependent's income used for other purposes $

d. Amount of dependent's income saved $

Expenses for entire household *(Where dependent lived)*

175
x12

16. Lodging *(Complete items a or b, and item c if applicable)*	a. Rent paid	$
	b. If not rented, show fair rental value of home *(If dependent owns home, include this amount in item 31)*	$ 2100
	c. If you completed item b, show below the name and address of the owner of the home	▨
Homeowner's name and address		▨
17. Food 150 x 12		$ 1800
18. Utilities *(heat, light, water, etc.)* 85 x 12		$ 1020
19. Repairs *(not included in item 16a or item 16b, above)*		$
20. Other *(Do not include expenses of maintaining residence, such as mortgage interest, real estate taxes, and insurance.)*		$
21. Total household expenses *(Add items 16 through 20.)*		$ 4920
22. Number of persons *(including dependent)* living in household	(Number) 3	▨
23. Dependent's portion of household expenses *(Item 21 divided by item 22)*		$ 1640

Expenses for dependent only	Tom	Jave
24. Dependent's portion of household expenses *(Item 23)*	$ 1640	1640
25. Clothing	$ 260	205
26. Education	$ 50	60
27. Medical-Dental	$ 76	220
28. Travel-Recreation	$	
~~29.~~ Other *(Specify)*		
Personal Grooming	90	75
Child Care	650	1050
	$	
30. Total cost of dependent's support for the year *(Add items 24 through 29.)*	$ 2766	3250
31. Amount dependent contributed for own support *(Item 15b, plus amount from item 16b if dependent owns home)*	$	
32. Amount others contributed for dependent's support *(Include amounts by State, local, and other welfare societies or agencies.)*	$ 1200	1200
33. Amount you contributed for dependent's support	$ 1566	2050

34. If you are claiming the dependent under a multiple support agreement, please show the amount spent for dependent's support by each member of the multiple support group who contributed.

PART V

If the dependent did not live with you the entire year and you are unable to furnish complete information for Part IV, it will help support your claim to the exemption if the person with whom the dependent lived will either (a) complete the following Certificate, or (b) submit a signed statement that you furnished more than half the dependent's total support and the dependent was not claimed on that person's Federal income tax return.

Certificate

I certify that during the taxable year 19____, ________________ (Name of person claiming dependent)

provided more than half the total cost of support for ________________ (Name of dependent)

and I did not and will not claim the dependent's exemption on my Federal income tax return for the above year.

Signature ________ Address ________ Date ________

PART VI

Declaration (If a joint return, both you and your spouse must sign)

I declare I have examined the information entered on this form, and to the best of my knowledge and belief it is true, correct, and complete.

Your signature ________ Date ________ Spouse's signature ________ Date ________

If you decide you are not entitled to claim an exemption for the dependent, please complete the withdrawal statement below.

Withdrawal Statement (If a joint return, both you and your spouse must sign)

I no longer believe I am entitled to claim an exemption for ________________ (Name of dependent)

and I withdraw my claim to this exemption. Please make the necessary adjustments to my income tax return for the year shown on the other side of this form.

Your signature ________ Date ________ Spouse's signature ________ Date ________

8

FULL-YEAR RESIDENTS ONLY

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ______

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name: PROCTOR

First name and initial: ANN V.

Social Security number: 534 | 10 | 7632

Spouse's last name if different and joint return:

Spouse's first name and initial if joint return:

Spouse's Social Security number:

Mailing address: 114 N.W. ALBIN WAY

Telephone number: 308-7676

City: CLIF

State: OR

ZIP Code: 97071

County: GLACIER

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No

If NO, give reason: ______

For office use only

Filing Status

Check only one box

1 ☐ Single
2 ☐ Married filing jointly
3 ☐ Married filing separately ______ (Spouse's name)
4 ☒ Unmarried head of household TOM PROCTOR (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	X				1
Spouse					
Dependents TOM SANE (First names)					2
Total exemptions claimed ●					3

Attach W-2 wage slips and payment here

ATTACH COPY OF FEDERAL RETURN

1	Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10	1	14387

OREGON CHANGES TO INCOME

2	Interest received from All Savers Certificates	● 2	
3	Changes in depreciation for Oregon	● 3	
4	Other Oregon changes to federal income. Identify ______	● 4	
5	Oregon adjusted gross income. Add lines 1, 2, 3 and 4	5	14387

ADDITIONS

6	Interest on local government bonds of other states	● 6	
7	Other additions. Identify ______	● 7	
8	Total additions. Add lines 6 and 7	8	
9	Income after additions. Line 5 plus line 8	9	14387

SUBTRACTIONS

10	1981 federal tax (maximum $7,000; $3,500 if married filing seperately). See instructions, page 21	● 10	1188
11	Oregon income tax refund included in federal income (not property tax refund)	● 11	30
12	Interest from U.S. government, such as Series E and H bonds	● 12	
13	U.S. public retirement income. Not more than $3,400. See instructions, page 21	● 13	
14	Military active duty pay. Not more than $3,000. See instructions, page 22	● 14	
15	Oregon public retirement income	● 15	
16	Other subtractions. Identify ______	● 16	
17	Total subtractions. Add lines 10 through 16	17	1218
18	Income after subtractions. Line 9 minus line 17	18	13169

NOW GO TO THE BACK OF THE FORM →

150-101-040 (9-81)

9

19	Amount from front of form, line 18			19	13169	

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22. OR only line 23

20	Itemized deductions from Schedule A, line 39	• 20	2527			EITHER, NOT BOTH
21	State income tax claimed as an itemized deduction	• 21	469			
22	Net Oregon itemized deductions. Line 20 minus line 21	22	2058			
23	Standard deduction from table, page 10	23				
24	Exemptions. Multiply your total Oregon exemptions by $1,000	24	3000			
25	Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24			25	5058	
26	Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-			• 26	8111	

OREGON TAX

27	Oregon tax from rate charts, page 18	• 27	520			
28	Minimum tax. **Attach Schedule M** if you need to pay this extra tax	• 28				
29	Total tax. Add lines 27 and 28			29	520	
30	Credit for the elderly, 15% of your federal credit for the elderly	• 30				
31	Child care credit, 40% of your federal child care credit	• 31	136			
32	Credit for income tax paid to another state. **Attach proof.** See page 28	• 32				
33	Political contribution credit. See limits, page 29. **Attach proof**	• 33				
34	Weatherization credit. For users of certain fuels. **Attach certificate.** See page 29	• 34				
35	Other credits. Identify ____________	• 35				
36	Total credits. Add lines 30 through 35			36	136	
37	Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-			37	384	

TAX PAYMENTS MADE IN 1981

38	Oregon income tax withheld from wages. **Attach W-2 wage slips**	• 38	469			
39	Estimated tax payments for 1981	• 39				
40	Total tax already paid. Add lines 38 and 39			40	469	
41	Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40			• 41	85	
42	ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	• 42				These will reduce your refund
	I wish to donate part of my tax refund to the following:					
43	Oregon Nongame Wildlife Fund $1 ☐, $5 ☐, $10 ☐, Other $ 3.00, ☐ None	• 43	3			
44	Oregon Arts Development Fund $1 ☐, $5 ☐, $10 ☐, Other $____, ☐ None	• 44				
45	Total. Add lines 42, 43 and 44. Total can't be more than line 41			45	3	
46	**NET REFUND.** Line 41 minus 45. This is your net refund			• 46	82 00	
47	**TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.			• 47		
48	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax If Form 10 is attached, check ▸ ☐. See page 31 of instructions.			• 48		

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.
Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

▶ ______________________ Your signature ______ Date

▶ ______________________ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Student Signature
Signature of preparer other than taxpayer ______ License no.

______________________ Address

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310
Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

FORM
70R

OREGON HOMEOWNER AND RENTER REFUND FORM

1981

Please print or type

Claimant's last name PROCTOR	Claimant(s) first name and initial ANN V.	Social Security number 534 | 10 | 7632	Age 32
Spouse's last name if different	Spouse's first name & initial	Spouse's Social Security number	Spouse's age
Mailing address 114 N.W. ALBIN WAY		Telephone number 508-7676	
City CLIFF	State OR	ZIP Code 97071	County GLACIER

Did you file an Oregon Individual Income Tax Return for 1980? ☒ Yes ☐ No

For office use only

FILL IN lines 1 through 24 below if:
- You are a renter (no income limit), or
- You are a homeowner with household income less than $17,500, or
- You are a mobile home resident who pays rent (no income limit), or
- You own your mobile home AND land and have household income less than $17,500.

DON'T FILE this form if you have household income $17,500 or more, AND
- Own your home, OR
- Own BOTH your mobile home AND land.

WORK OR INVESTMENTS			
1 WAGES, SALARIES and other pay for work	1	14,200	
2 INTEREST, DIVIDENDS (total taxable and nontaxable)	2	357	
3 BUSINESS NET INCOME (loss limited to $1,000)	3		
4 Farm net income (loss limited to $1,000)	4		
5 Total gain on property sales (loss limited to $1,000)	5		
6 Rental net income (loss limited to $1,000)	6		
7 Net operating loss carryback and carryforward (limited to $1,000)	7		
8 Other income from your federal return. Identify OREGON STATE REFUND	8	30	
9 Add lines 1 through 8	● 9		14,587
RETIREMENT			
10 Social Security, Supplemental Security Income (SSI), Railroad Retirement (total for 1981)	10		
11 Pension, annuity (total taxable and nontaxable received during 1981)	11		
12 Add lines 10 and 11	● 12		
OTHER			
13 ADULT AND FAMILY SERVICES (Welfare)	● 13		
14 UNEMPLOYMENT	● 14		
15 CHILD SUPPORT	15	2400	
16 Veteran's benefits, military pay and benefits	16		
17 Disability pay, life insurance proceeds, personal injury damages, strike benefits	17		
18 Workers' compensation, accident and health insurance payments	18		
19 Inheritances	19		
20 Gifts and grants: total amount minus $500	20		
21 Add lines 13 through 20	21		2400
22 Total. Add lines 9, 12 and 21	22		16987
23 Adjustments to income from federal Form 1040, lines 22 through 27 and line 29	● 23		
24 Your total household income. Line 22 minus line 23	● 24		16987

HOMEOWNERS — Now go to **section A** on the back of this form.
MOBILE HOME RESIDENTS — Now go to **section B** if you own your mobile home AND/OR land. Go to **section C** if you rent BOTH your mobile home AND land.
RENTERS — Now go to **section C** on the back of this form.

Complete only one section.

A **HOMEOWNERS** Owned on Dec. 31, 1981

25 Total ASSESSED VALUE of the home you owned and occupied Dec. 31, 1981. Attach your 1981-82 Property Tax Statement ● 25 22,500
26 Total PROPERTY TAX on your home. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments. ● 26 587
27 MAXIMUM REFUND from the HARRP table for homeowners. 27 57
28 SMALLER of line 26 or line 27 28 57
29 Special Shelter Allowance (Aid to Dependent Children) ● 29
30 YOUR HOMEOWNER REFUND. Line 28 minus line 29 ● 30 57

B **MOBILE HOME OWNERS** Owned on Dec. 31, 1981

31 Total ASSESSED VALUE of your mobile home and/or land you owned and occupied on Dec. 31, 1981. Attach your 1981-82 property tax statement(s). (If you rented your home and land, file as a renter.) ● 31
32 TOTAL PROPERTY TAX on your home and/or land. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments. ● 32
33 TOTAL OREGON RENT for 1981 from Rental Schedule below. ● 33
34 Optional: Refund amount from worksheet, line 22 or line 24 (if you filled out worksheet). ● 34

C **RENTERS** Didn't own on Dec. 31, 1981

35 TOTAL OREGON RENT for 1981 from the Rental Schedule below ● 35
36 Optional: Refund amount from worksheet, line 10 or line 23 (if you filled out worksheet). ● 36

Check the box if you paid rent to a nursing home ☐ or a retirement (rest) home ☐.

SPECIAL PROGRAM FOR ELDERLY RENTERS

You may qualify for a larger refund. See instructions for Elderly Rental Assistance. Fill in line 37 if you qualify for the program.

37 Total fuel and utilities only (not telephone). DON'T INCLUDE RENT ● 37

RENTAL SCHEDULE List the places you rented in Oregon and the rent you paid for 1981. Roommates: only one may file.

Your address(es): street, city, state	Roommates' names	Landlord(s)	1981 rental period From	To	Rent per month	Total

TOTAL RENT FOR 1981. Add the rent you paid for 1981. Fill in the total in this space.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE ➧ Claimant's signature (Person listed first on front of form) Date

Student Signature
Signature of preparer other than taxpayer License no.

MAIL YOUR FORM 70R WITH YOUR OREGON INCOME TAX RETURN IF YOU FILE A RETURN.
Mail all others to: REFUND, P.O. Box 14700, Salem, OR 97310

YOU'LL GET YOUR REFUND IN OCTOBER 1982.

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) SITUATION 2

For the year January 1–December 31, 1981, or other tax year beginning , 1981, ending , 19 OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name: SHERRY A. JOHNSON
Your social security number: 491 54 2808
Present home address (Number and street, including apartment number, or rural route): 6276 MOCKINGBIRD LANE
Spouse's social security no.
City, town or post office, State and ZIP code: GARDEN CITY OR 97421
Your occupation ▶ RETIRED
Spouse's occupation ▶

Presidential Election Campaign
▶ Do you want $1 to go to this fund? . . . . Yes ☒ No
If joint return, does your spouse want $1 to go to this fund? . . . Yes No
Note: Checking "Yes" will not increase your tax or reduce your refund.

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filling Status
Check only one box.
1 ☒ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions
Always check the box labeled Yourself. Check other boxes if they apply.
6a ☒ Yourself ☒ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶ 2
c First names of your dependent children who lived with you ▶
Enter number of children listed on 6c ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
e Total number of exemptions claimed . . . . . Add numbers entered in boxes above ▶ 2

Income
Please attach Copy B of your Forms W-2 here.
If you do not have a W-2, see page 5 of Instructions.
Please attach check or money order here.

7 Wages, salaries, tips, etc.		7	
8a Interest income (attach Schedule B if over $400 or you have any All-Savers interest)	8a 2756		
b Dividends (attach Schedule B if over $400)	8b 1130		
c Total. Add lines 8a and 8b	8c 3886		
d Exclusion (See page 9 of Instructions)	8d 200		
e Subtract line 8d from line 8c (but not less than zero)		8e	3686
9 Refunds of State and local income taxes (do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions)		9	
10 Alimony received		10	
11 Business income or (loss) (attach Schedule C) ▶		11	
12 Capital gain or (loss) (attach Schedule D)		12	
13 40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)		13	
14 Supplemental gains or (losses) (attach Form 4797)		14	
15 Fully taxable pensions and annuities not reported on line 16		15	3400
16a Other pensions and annuities. Total received	16a		
b Taxable amount, if any, from worksheet on page 10 of Instructions		16b	
17 Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)		17	
18 Farm income or (loss) (attach Schedule F) ▶		18	
19a Unemployment compensation (insurance). Total received	19a		
b Taxable amount, if any, from worksheet on page 10 of Instructions		19b	
20 Other income (state nature and source—see page 11 of Instructions) ▶ GAMBLING WINNINGS		20	1000
21 Total income. Add amounts in column for lines 7 through 20 ▶		21	8086

Adjustments to Income
(See Instructions on page 11)

22 Moving expense (attach Form 3903 or 3903F)	22		
23 Employee business expenses (attach Form 2106)	23		
24 Payments to an IRA (enter code from page 11 ....)	24		
25 Payments to a Keogh (H.R. 10) retirement plan	25		
26 Interest penalty on early withdrawal of savings	26		
27 Alimony paid	27		
28 Disability income exclusion (attach Form 2440)	28		
29 Other adjustments—see page 12 ▶	29		
30 Total adjustments. Add lines 22 through 29 ▶		30	

Adjusted Gross Income

31 Adjusted gross income. Subtract line 30 from line 21. If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions ▶	31	8086

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13

Tax Computation

(See Instructions on page 12)

32a	Amount from line 31 (*adjusted gross income*)	32a	8086	
32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41	32b	111	
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*			
32c	Subtract line 32b from line 32a	32c	7975	
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e	33	2000	
34	Taxable Income. Subtract line 33 from line 32c	34	5975	
35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726	35	590	
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax	36		
37	**Total.** Add lines 35 and 36 ▶	37	590	

Credits

(See Instructions on page 13)

38	Credit for contributions to candidates for public office	38				
39	Credit for the elderly (*attach Schedules R&RP*)	39	151			
40	Credit for child and dependent care expenses (attach Form 2441)	40				
41	Investment credit (*attach Form 3468*)	41				
42	Foreign tax credit (*attach Form 1116*)	42				
43	Work incentive (WIN) credit (*attach Form 4874*)	43				
44	Jobs credit (*attach Form 5884*)	44				
45	Residential energy credit (*attach Form 5695*)	45				
46	**Total credits.** Add lines 38 through 45			46	151	
47	**Balance.** Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	439	

Other Taxes

(Including Advance EIC Payments)

48	Self-employment tax (*attach Schedule SE*)	48		
49a	Minimum tax. Attach Form 4625 and check here ▶ ☐	49a		
49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐	49b		
50	Tax from recomputing prior-year investment credit (*attach Form 4255*)	50		
51a	Social security (FICA) tax on tip income not reported to employer (*attach Form 4137*)	51a		
51b	Uncollected employee FICA and RRTA tax on tips (*from Form W-2*)	51b		
52	Tax on an IRA (*attach Form 5329*)	52		
53	Advance earned income credit (EIC) payments received (*from Form W-2*)	53		
54	**Total tax.** Add lines 47 through 53 ▶	54	439	

06

Payments

Attach Forms W-2, W-2G, and W-2P to front.

55	Total Federal income tax withheld	55				
56	1981 estimated tax payments and amount applied from 1980 return	56	400			
57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57				
58	Amount paid with Form 4868	58				
59	Excess FICA and RRTA tax withheld (two or more employers)	59				
60	Credit for Federal tax on special fuels and oils (*attach Form 4136 or 4136-T*)	60				
61	Regulated Investment Company credit (*attach Form 2439*)	61				
62	**Total.** Add lines 55 through 61 ▶			62	400	

Refund or Balance Due

63	If line 62 is larger than line 54, enter amount **OVERPAID** ▶			63		
64	Amount of line 63 to be **REFUNDED TO YOU** ▶			64		
65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65				
66	If line 54 is larger than line 62, enter **BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66	39	00

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had incom

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature	Date	Check if self-employed ▶ ☐	Preparer's social security no. XXX XX XXXX
Firm's name (or yours, if self-employed) and address ▶		E.I. No. ▶	
		ZIP code ▶	

Schedules A&B (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: SHERRY A. JOHNSON

Your social security number: 491 54 2808

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) (See page 17 of Instructions.)

1 One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶		62	
2 Medicine and drugs	75		
3 Enter 1% of Form 1040, line 31	81		
4 Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		-0-	
5 Balance of insurance premiums for medical care not entered on line 1		62	
6 Other medical and dental expenses:			
a Doctors, dentists, nurses, etc.		398	
b Hospitals		460	
c Transportation		26	
d Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶			
X-RAYS		120	
LAB		35	
REIMBURSEMENT		< 545 >	
7 Total (add lines 4 through 6d) OREGON		566	
8 Enter 3% of Form 1040, line 31 273		243	
9 Subtract line 8 from line 7. If line 8 is more than line 7, enter zero 293		323	
10 Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 365 ▶		385	

Taxes (See page 18 of Instructions.)

11 State and local income	286	
12 Real estate		
13 a General sales (see sales tax tables)		
b General sales on motor vehicles		
14 Personal property		
15 Other (itemize) ▶		
16 Total taxes (add lines 11 through 15). Enter here and on line 34 ▶	286	

Interest Expense (See page 18 of Instructions.)

17 Home mortgage		
18 Credit and charge cards		
19 Other (itemize) ▶		
20 Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶		

Contributions (See page 19 of Instructions.)

21 a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b)	875	
b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶		
22 Other than cash (see page 19 of instructions for required statement)		
23 Carryover from prior years		
24 Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	875	

Casualty or Theft Loss(es) (You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)

25 Loss before reimbursement		
26 Insurance or other reimbursement you received or expect to receive		
27 Subtract line 26 from line 25. If line 26 is more than line 25, enter zero		
28 Enter $100 or amount from line 27, whichever is smaller		
29 Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶		

Miscellaneous Deductions (See page 19 of Instructions.)

30 a Union dues		
b Tax return preparation fee	50	
31 Other (itemize) ▶		
SAFE DEPOSIT BOX	15	
GAMBLING LOSSES	800	
32 Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 ▶	865	

Summary of Itemized Deductions

(See page 20 of Instructions.)

A 0

33 Total medical and dental—from line 10	385	35
34 Total taxes—from line 16	286	28
35 Total interest—from line 20		
36 Total contributions—from line 24	875	87
37 Total casualty or theft loss(es)—from line 29		
38 Total miscellaneous—from line 32	865	8
39 Add lines 33 through 38	2411	23
40 If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 1 or 4, enter $2,300 3, enter $1,700	2300	
41 Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) ▶	111	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

15

Schedule B—Interest and Dividend Income

OMB No. 1545-0074

Name(s) as shown on Form 1040 (Do not enter name and social security number if shown on other side)	Your social security number
SHERYL A. JOHNSON	491 54 2808

Part I Interest Income

If you received more than $400 in interest or you received any interest from an All-Savers Certificate, you must complete Part I and list ALL interest received. Also complete Part III if you received more than $400 in interest. See page 8 of the Instructions to find out what interest to report. Then answer the questions in Part III, below. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, please see page 20 of the Instructions.

Name of payer	Amount
1a Interest income (other than qualifying interest from All-Savers Certificates).	
RETAIL CLERKS CR. UN.	1150
SENTINEL BANK	780
U.S. TREASURY	526
1b Total. Add above amounts	2456
1c Qualifying interest from All-Savers Certificates. (List payers and amounts even if $400 or less.) See page 20 of Instructions.	
FEDERAL S+L 1300	
1d Total 1300	
1e Exclusion (See page 20 of Instructions) 1000	
1f Subtract line 1e from line 1d. *Caution: No part of the amount on line 1f may be excluded on Form 1040, line 8d*	300
2 Total interest income (add lines 1b and 1f). Enter here and on Form 1040, line 8a	2756

Part II Dividend Income

If you received more than $400 in gross dividends (including capital gain distributions) and other distributions on stock, complete Part II and Part III. Please see page 9 of the Instructions. Then answer the questions in Part III, below. If you received dividends as a nominee for another, please see page 21 of the Instructions.

Name of payer	Amount
3 ABC CO (120 N/T)	680
UNITED, INC	465
LMN CORP.	105
4 Total. Add above amounts	1250
5 Capital gain distributions. Enter here and on line 13, Schedule D. See Note below	
6 Nontaxable distributions (See Instructions for adjustment to basis) 120	
7 Total (add lines 5 and 6)	120
8 Total dividend income (subtract line 7 from line 4). Enter here and on Form 1040, line 8b	1130

Note: *If you received capital gain distributions for the year and you do not need Schedule D to report any other gains or losses or to compute the alternative tax, do not file that schedule. Instead, enter 40% of your capital gain distributions on Form 1040, line 13.*

B

Part III Foreign Accounts and Foreign Trusts

If you received more than $400 of interest or dividends, OR if you had a foreign account or were a grantor of, or a transferor to, a foreign trust, you must answer both questions in Part III. Please see page 21 of the Instructions.

	Yes	No
9 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		X
10 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		X

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

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16

Schedules R & RP (Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Credit for the Elderly

▶ See Instructions for Schedules R and RP.
▶ Attach to Form 1040. ▶ Schedule RP is on back.

OMB No. 1545-0074
1981
21

Name(s) as shown on Form 1040: SHERRY A. JOHNSON

Your social security number: 491 54 2808

Please Note: *IRS will figure your Credit for the Elderly and compute your tax. Please see "IRS Will Figure Your Tax and Some of Your Credits" on page 3 of the Form 1040 instructions and complete the applicable lines on Form 1040 and Schedule R or RP.*

Should You Use Schedule R or RP?

If you are:	And were:	Use Schedule:
Single	▶ 65 or over	R
	▶ under 65 and had income from a public retirement system	RP
Married, filing separate return [1]	▶ 65 or over (unless joining in the election to use Schedule RP with your spouse who is under 65 and had income from a public retirement system)	R
	▶ under 65 and had income from a public retirement system (unless your spouse is 65 or over and does not join in the election to use Schedule RP)	RP
Married, filing joint return	▶ both 65 or over	R
	▶ one 65 or over, and one under 65 with no income or income other than from a public retirement system	R
	▶ both under 65 and one or both had income from a public retirement system	RP
	▶ one 65 or over, and one under 65 with income from a public retirement system	R or RP [2]

[1] You can take the credit on a separate return ONLY if you and your spouse lived apart for the whole year. See "Purpose" in Schedules R&RP instructions for limitation.

[2] Figure your credit on both schedules to see which gives you more credit.

Schedule R — Credit for the Elderly—For People 65 or Over

If you received nontaxable pensions (social security, etc.) of $3,750 or more or your adjusted gross income (Form 1040, line 32a) was $17,500 or more, you cannot take the credit for the elderly. Do not file this schedule.

R

Filing Status and Age (check only one box)

- A ☒ Single, 65 or over
- B ☐ Married filing joint return, only one spouse 65 or over
- C ☐ Married filing joint return, both 65 or over
- D ☐ Married filing separate return, 65 or over, and did not live with spouse at any time in 1981

1 Enter: $2,500 if you checked box A or B; $3,750 if you checked box C; $1,875 if you checked box D . . . 1 2500

2 a Enter amounts you received as pensions or annuities under the Social Security Act or under the Railroad Retirement Acts (but not supplemental annuities), and certain other exclusions from gross income (see instructions). If none, enter zero . . . 2a 1200

b Enter amount from Form 1040, line 32a . . . 2b 8086

c Enter: $7,500 if you checked box A; $10,000 if you checked box B or C; $5,000 if you checked box D . . . 2c 7500

d Subtract line 2c from 2b. If line 2c is more than line 2b, enter zero . . . 2d 586

e Enter one-half (½) of line 2d . . . 2e 293

3 Add lines 2a and 2e. (If line 3 is the same or more than line 1, you cannot take the credit; do not file this schedule. If line 3 is less than line 1, go on to line 4.) . . . 3 1493

4 Subtract line 3 from line 1 . . . 4 1007

5 Multiply line 4 by 15% (.15) . . . 5 151

6 Enter amount of tax from Form 1040, line 37. (If this amount is zero, you cannot take the credit; do not file this schedule.) . . . 6 590

7 Enter the amount from line 5 or line 6, above, whichever is less. This is your Credit for the Elderly. Enter the same amount on Form 1040, line 39 . . . ▶ 7 151

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Refund worksheet

For renters and mobile home owners

PTR—Property Tax Relief Plan
HARRP—Homeowner and Renter Refund Program

The Oregon Department of Revenue will figure the refunds for renters and mobile home owners. If you are a renter or a mobile home owner, you may use this worksheet to figure what your refund will be for your own records. Follow the instructions below. Please fill in on Form 70R, line 34 or 36, the refund you figured. Keep this worksheet for your records.

Household income less than $17,500:

Renter: (Completed Section C, Form 70R).

1. Household income 1 10486
2. Rent $1470 x 17% 2 250
3. PTR refund. Rent $1470 x 4.7%* 3 69
4. Line 2 minus line 3 .... 4 181
5. Maximum refund from table 5 165
6. Smaller of line 4 or line 5 .... 6 165
7. Special Shelter Allowance (ADC) .... 7 -0-
8. HARRP refund (line 6 minus line 7) 8 165
9. Fill in the amount from line 3 .... 9 69
10. Total refund (line 8 plus line 9) 10 234

Mobile home owner: (Completed Section B, Form 70R).

11. Household income .... 11 ______
12. Rent $______ x 17% .... 12 ______
13. PTR refund. Rent $______ x 4.7%* .... 13 ______
14. Line 12 minus line 13 .... 14 ______
15. Property tax on mobile home or land (less state payment)... 15 ______
16. Line 14 plus line 15 .... 16 ______
17. Maximum refund from table .... 17 ______
18. Smaller of line 16 or line 17 .... 18 ______
19. Special Shelter Allowance (ADC) .... 19 ______
20. HARRP refund (line 18 minus line 19) .... 20 ______
21. Fill in the amount from line 13 .... 21 ______
22. Total refund (line 20 plus line 21) .... 22 ______

Household income $17,500 or more:

You get a check from Oregon Property Tax Relief Plan (PTR).

23. **Renters: Rent $______ x 4.7%*** .... 23 ______
24. **Mobile home owners: Rent $______ x 4.7%*** .... 24 ______

---

*The maximum amount allowed on this line depends on funds available for Oregon's Property Tax Relief Plan (PTR). The maximum can't be determined until September 1982. At that time, we will use the new maximum to figure your refund. This means the amount you figure on line 10, 22, 23 or 24 may change.

150-101-064 (10/81)

[illegible] 95-0873140

FULL-YEAR RESIDENTS ONLY

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calender year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name JOHNSON	First name and initial SHERRY A.	Social Security number 491 54 2808
Spouse's last name if different and joint return	Spouse's first name and initial if joint return	Spouse's Social Security number

Mailing address 6276 MOCKINGBIRD LANE			Telephone number 542-7893
City GARDEN CITY	State Or	ZIP Code 97421	County Windsor

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No

If NO, give reason: ____________

For office use only

Filing Status

Check only one box

1 ☒ Single
2 ☐ Married filing jointly
3 ☐ Married filing separately ____________ (Spouse's name)
4 ☐ Unmarried head of household ____________ (Person who qualifies you)
5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	☒	☒	☐	☐	2
Spouse	☐	☐	☐	☐	
Dependents ____________ (First names)					
Total exemptions claimed ●					2

Attach W-2 wage slips and payment here

1 Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10	1	8086	

OREGON CHANGES TO INCOME

2 Interest received from All Savers Certificates	● 2	1000	
3 Changes in depreciation for Oregon	● 3		
4 Other Oregon changes to federal income. Identify ____________	● 4		
5 Oregon adjusted gross income. Add lines 1, 2, 3 and 4	5		9086

ATTACH COPY OF FEDERAL RETURN

ADDITIONS

6 Interest on local government bonds of other states	● 6		
7 Other additions. Identify ____________	● 7		
8 Total additions. Add lines 6 and 7	8		
9 Income after additions. Line 5 plus line 8	9		9086

SUBTRACTIONS

10 1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21	● 10	439	
11 Oregon income tax refund included in federal income (not property tax refund)	● 11		
12 Interest from U.S. government, such as Series E and H bonds	● 12	526	
13 U.S. public retirement income. Not more than $3,400. See instructions, page 21	● 13		
14 Military active duty pay. Not more than $3,000. See instructions, page 22	● 14		
15 Oregon public retirement income	● 15		
16 Other subtractions. Identify ____________	● 16		
17 Total subtractions. Add lines 10 through 16	17		965
18 Income after subtractions. Line 9 minus line 17	18		8121

NOW GO TO THE BACK OF THE FORM →

150-101-040 (6-81)

19

19	Amount from front of form, line 18	19	8121

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22, OR only line 23 (EITHER, NOT BOTH)

20	Itemized deductions from Schedule A, line 39	● 20	2381
21	State income tax claimed as an itemized deduction	● 21	286
22	Net Oregon itemized deductions. Line 20 minus line 21	22	2095
23	Standard deduction from table, page 10	23	
24	Exemptions. Multiply your total Oregon exemptions by $1,000	24	2000
25	Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24	25	4095
26	Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-	● 26	4026

OREGON TAX

27	Oregon tax from rate charts, page 18	● 27	257
28	Minimum tax. Attach Schedule M if you need to pay this extra tax	● 28	
29	Total tax. Add lines 27 and 28	29	257
30	Credit for the elderly, 15% of your federal credit for the elderly	● 30	23
31	Child care credit, 40% of your federal child care credit	● 31	
32	Credit for income tax paid to another state. Attach proof. See page 28	● 32	
33	Political contribution credit. See limits, page 29. Attach proof	● 33	
34	Weatherization credit. For users of certain fuels. Attach certificate. See page 29	● 34	
35	Other credits. Identify ______	● 35	
36	Total credits. Add lines 30 through 35	36	23
37	Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-	37	234

TAX PAYMENTS MADE IN 1981

38	Oregon income tax withheld from wages. Attach W-2 wage slips	● 38	
39	Estimated tax payments for 1981	● 39	200
40	Total tax already paid. Add lines 38 and 39	40	200
41	Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40	● 41	
42	ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	● 42	
	I wish to donate part of my tax refund to the following:		
43	Oregon Nongame Wildlife Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☐ None	● 43	
44	Oregon Arts Development Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☐ None	● 44	
45	Total. Add lines 42, 43 and 44. Total can't be more than line 41	45	
46	**NET REFUND.** Line 41 minus 45. This is your net refund	● 46	
47	**TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.	● 47	34.00
48	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax. If Form 10 is attached, check ▸ ☒. See page 31 of instructions.	● 48	7.05
	TOTAL TAX DUE		41.05

Lines 42, 43 and 44: These will reduce your refund

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.

Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

▶ ______ Your signature ______ Date

▶ ______ Spouse's signature (If filing jointly, BOTH must sign even if only one had income)

Student Signature

Signature of preparer other than taxpayer ______ License no.

______ Address

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

Form 10 Underpayment of Oregon Estimated Tax 1981

Name Sherryl A. Johnson

Social Security number 491-54-2808

PART I How to figure your underpayment (Fill in lines 1 to 8 below.)

You have an underpayment if you paid less than 80 percent of the tax you owed on each payment due date.

If you have an underpayment for either payment date you must:

- meet an exception for that payment date (See PART II or PART IV) or
- pay interest on your underpayment of estimated tax (See PART III).

1. 1981 Oregon net income tax, Form 40, line 37; or Form 40NR, line 59 .... 1. 234
2. 80% of amount on line 1 above (amount on line 1 multiplied by .80) 2. 187

Fill in the amounts below for each date a payment was due.

	Payment due dates	
	April 15, 1981	June 15, 1981
3. If you needed to pay estimated tax on both payment dates, take the amount on line 2 and divide by 4. Fill in the amount in both columns. If you needed to pay estimated tax only on June 15, 1981, take the amount on line 2 and divide by 2. Fill in the amount in the June 15 column	47	47
4. 1981 estimated tax paid and tax withheld for each payment period	-0-	-0-
5. Overpayment from prior period (from line 7 below)		-0-
6. Add lines 4 and 5	-0-	-0-
7. Overpayment. If line 3 is less than line 6, subtract line 3 from line 6		
8. Underpayment. If line 3 is more than line 6, subtract line 6 from line 3. If you don't have an underpayment (line 8) for either period, don't file this form	47	47

PART II Exceptions to paying interest (Farmers and fishers, see PART IV.)

	April 15, 1981	June 15, 1981
9. Total amount of 1981 estimated tax paid and tax withheld from Jan. 1, 1981, through each payment due date	-0-	-0-
	25% of 1980 tax	50% of 1980 tax
10. Exception 1.—1980 tax. Fill in your total 1980 tax ▶ ________		
	25% of tax	50% of tax
11. Exception 2.—Tax on 1980 income using 1981 tax rates and exemptions. (See worksheet on back.)		
	20% of tax	40% of tax
12. Exception 3.—Tax on annualized 1981 income. (See worksheet on back.)		
	90% of tax	90% of tax
13. Exception 4.—Tax on 1981 income over 3- and 5-month period. (See worksheet on back.)	-0-	9

PART III Interest on underpayment of estimated tax. If you don't meet an exception for a period, fill in lines 14 through 19 for the same period.

	April 15, 1981	June 15, 1981
14. Amount of underpayment for each period (from line 8)		47
15. Date you paid underpayment or April 15, 1982, whichever is earlier		4-10-82
16. Number of months from due date to payment date shown on line 15. Count part of a month as one month		10
17. Multiply 1.5% (.015) by amount on line 16		.15
18. Interest due for each payment period. Line 14 multiplied by line 17		7^{05}

19. Total interest due. Add first and second columns of line 18. Fill in this amount on Form 40, line 48; or Form 40NR, line 67 .... 7^{05}

PART IV Exception for farmers and fishers

To meet this exception your gross income from farming or fishing must be equal to or greater than two-thirds (66.7%) of your total gross income for 1980 or 1981.

If you qualify for this exception, check the box .... ▶ ☐

Then, attach this form to your 1981 Oregon income tax return. You don't need to pay interest on underpayment of estimated tax.

21

150-101-028 (12/81)

TC

Instructions for PART II

There are four exceptions to paying interest on your underpayment. These exceptions are similar to federal exceptions. You won't have to pay interest if your 1981 tax payments (PART II, Line 9) are equal to or more than any one of the exceptions (PART II, Lines 10, 11, 12, or 13) for the same payment period.

Exception 1 (line 10). 1980 tax. The amount on line 9, PART II, must be equal to or more than the net income tax on your 1980 Oregon return (Form 40S, line 13; Form 40, line 33; Form 40NR, line 55). Your 1980 Oregon income tax return must cover 12 months. It must also show an amount due on the net income tax line.

Exception 2 (line 11). Tax on 1980 income using 1981 tax rates and exemptions. The amount on line 9, PART II, must be equal to or more than the tax due on your 1980 income using 1981 tax rates. Refigure your 1980 income using exemptions from your 1981 return. But for other items, such as income and deductions, use the amounts from your 1980 Oregon return. Figure this exception using the worksheet below.

Exception 3 (line 12). Tax on 1981 annualized income. The amount on line 9, PART II, must be equal to or more than 80 percent of the tax on your annualized taxable income for each payment period. To figure your annualized income, use the worksheet below.

Exception 4 (line 13). Tax on 1981 income over 3- and 5-month period. The amount on line 9, PART II, must be equal to or more than 90 percent of your actual tax for the period. To figure your actual tax for each period, use the worksheet below.

Exception 2 worksheet

1. Oregon 1980 taxable income using 1981 exemptions	
2. Oregon tax using 1981 tax rate on amount on line 1	
3. Oregon minimum tax from your 1980 return	
4. Line 2 plus line 3. Tax on 1980 income using 1981 tax rates and exemptions	

Exception 3 worksheet

To figure your annualized income, itemized deductions, additions and subtractions, use the formula below:

First payment: Actual amount (from 1-1-81 to 3-31-81) × 4 = annualized amount

Second payment: Actual amount (from 1-1-81 to 5-31-81) × 2.4 = annualized amount

Exceptions: Figure your federal tax and your standard deduction using the line instructions below.

	Jan. 1, 1981 to March 31, 1981	Jan. 1, 1981 to May 31, 1981
1. Annualized Oregon adjusted gross income		
2. Annualized Oregon additions		
3. Add line 1 and line 2		
4. Annualized Oregon subtractions except federal tax		
5. Federal tax figured on your annualized federal taxable income		
6. Exemptions multiplied by $1,000		
7. Annualized net itemized deductions OR standard deduction using income from line 1		
8. Add lines 4 through 7		
9. Annualized Oregon taxable income. Line 3 minus line 8		
10. Oregon tax on amount on line 9		
11. Oregon minimum tax on annualized tax preference items		
12. Total annualized tax. Line 10 plus line 11		

Exception 4 worksheet

PERIOD 1 PERIOD 2

Assuming all interest and dividends paid quarterly at 3/31, 6/30, etc

(3886 × 25% = 972 <200> = 772
3400 × 25% = 850 + 1000) (3400 × 5 mo = 1417
+ 772 + 1000)

	Jan. 1, 1981 to March 31, 1981	Jan. 1, 1981 to May 31, 1981
1. Actual Oregon adjusted gross income for the period	2622	3189
2. Actual Oregon additions for the period 1000 @ 25%	250	250
3. Add line 1 and line 2	2872	3439
4. Actual Oregon subtractions (except federal tax) for the period 526 @ 25%	132	132
5. Federal tax based on federal taxable income for the period	-0-	-0-
6. Number of exemptions multiplied by $1,000	2000	2000
7. Actual net itemized deductions for the period, OR standard deduction using income from line 1	1050	1050
8. Add lines 4 through 7	3182	3182
9. Oregon taxable income for the period. Line 3 minus line 8	-0-	257
10. Oregon tax on amount on line 9	-0-	1[illegible]
11. Any minimum tax on tax preference items for the period		
12. Total Oregon tax for the period. Line 10 plus line 11	-0-	10

FORM
70R

OREGON HOMEOWNER AND RENTER REFUND FORM

1981

Please print or type

Claimant's last name: JOHNSON
Claimant's first name and initial: SHERRY A.
Social Security number: 491 54 2808
Age: 66
Spouse's last name if different:
Spouse's first name & initial:
Spouse's Social Security number:
Spouse's age:
Mailing address: 6276 MOCKINGBIRD LANE
Telephone number: 542-7893
City: GARDEN CITY
State: OR
ZIP Code: 97421
County: WINDSOR

Did you file an Oregon Individual Income Tax Return for 1980? ☒ Yes ☐ No

For office use only

FILL IN lines 1 through 24 below if:

- You are a renter (no income limit), or
- You are a homeowner with household income less than $17,500, or
- You are a mobile home resident who pays rent (no income limit), or
- You own your mobile home AND land and have household income less than $17,500.

DON'T FILE this form if you have household income $17,500 or more, AND

- Own your home, OR
- Own BOTH your mobile home AND land.

WORK OR INVESTMENTS				
1	WAGES, SALARIES and other pay for work	1		
2	INTEREST, DIVIDENDS (total taxable and nontaxable)	2	4886	
3	BUSINESS NET INCOME (loss limited to $1,000)	3		
4	Farm net income (loss limited to $1,000)	4		
5	Total gain on property sales (loss limited to $1,000)	5		
6	Rental net income (loss limited to $1,000)	6		
7	Net operating loss carryback and carryforward (limited to $1,000)	7		
8	Other income from your federal return. Identify GAMBLING WINNINGS	8	1000	
9	Add lines 1 through 8	● 9		5886
RETIREMENT				
10	Social Security, Supplemental Security Income (SSI), Railroad Retirement (total for 1981)	10	1200	
11	Pension, annuity (total taxable and nontaxable received during 1981)	11	3400	
12	Add lines 10 and 11	● 12		4600
OTHER				
13	ADULT AND FAMILY SERVICES (Welfare)	● 13		
14	UNEMPLOYMENT	● 14		
15	CHILD SUPPORT	15		
16	Veteran's benefits, military pay and benefits	16		
17	Disability pay, life insurance proceeds, personal injury damages, strike benefits	17		
18	Workers' compensation, accident and health insurance payments	18		
19	Inheritances	19		
20	Gifts and grants: total amount minus $500	20		
21	Add lines 13 through 20	21		
22	Total. Add lines 9, 12 and 21	22		10486
23	Adjustments to income from federal Form 1040, lines 22 through 27 and line 29	● 23		
24	Your total household income. Line 22 minus line 23	● 24		10486

HOMEOWNERS — Now go to **section A** on the back of this form.
MOBILE HOME RESIDENTS — Now go to **section B** if you own your mobile home AND/OR land. Go to **section C** if you rent BOTH your mobile home AND land.
RENTERS — Now go to **section C** on the back of this form.

150-101-075 (10-81)

Complete only one section.

A **HOMEOWNERS** Owned on Dec. 31, 1981

25 Total ASSESSED VALUE of the home you owned and occupied Dec. 31, 1981. Attach your 1981-82 Property Tax Statement	• 25	
26 Total PROPERTY TAX on your home. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments.	• 26	
27 MAXIMUM REFUND from the HARRP table for homeowners.	27	
28 SMALLER of line 26 or line 27	28	
29 Special Shelter Allowance (Aid to Dependent Children)	• 29	
30 YOUR HOMEOWNER REFUND. Line 28 minus line 29	• 30	

B **MOBILE HOME OWNERS** Owned on Dec. 31, 1981

31 Total ASSESSED VALUE of your mobile home and/or land you owned and occupied on Dec. 31, 1981. Attach your 1981-82 property tax statement(s). (If you rented your home and land, file as a renter.)	• 31	
32 TOTAL PROPERTY TAX on your home and/or land. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments.	• 32	
33 TOTAL OREGON RENT for 1981 from Rental Schedule below.	• 33	
34 Optional: Refund amount from worksheet, line 22 or line 24 (if you filled out worksheet).	• 34	

C **RENTERS** Didn't own on Dec. 31, 1981

35 TOTAL OREGON RENT for 1981 from the Rental Schedule below	• 35	1470
36 Optional: Refund amount from worksheet, line 10 or line 23 (if you filled out worksheet).	• 36	234

Check the box if you paid rent to a nursing home ☐ or a retirement (rest) home ☐.

SPECIAL PROGRAM FOR ELDERLY RENTERS

You may qualify for a larger refund. See instructions for Elderly Rental Assistance. Fill in line 37 if you qualify for the program.

37 Total fuel and utilities only (not telephone). DON'T INCLUDE RENT • 37

RENTAL SCHEDULE List the places you rented in Oregon and the rent you paid for 1981. Roommates: only one may file.

Your address(es): street, city, state	Roommates' names	Landlord(s)	1981 rental period From To	Rent per month	Total
6276 MOCKINGBIRD LANE GARDEN CITY, OR.		L. EASY	1/1 - 6/30	120	720
			7/1 - 12/31	125	750

TOTAL RENT FOR 1981. Add the rent you paid for 1981. Fill in the total in this space. 1470

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Claimant's signature (Person listed first on front of form) Date

Student Signature
Signature of preparer other than taxpayer License no.

MAIL YOUR FORM 70R WITH YOUR OREGON INCOME TAX RETURN IF YOU FILE A RETURN.
Mail all others to: REFUND, P.O. Box 14700, Salem, OR 97310

YOU'LL GET YOUR REFUND IN OCTOBER 1982.

Form **1040** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1981** (0) SITUATION 3

For the year January 1—December 31, 1981, or other tax year beginning , 1981, ending , 19 | OMB No. 1545-0074

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) Last name: JOHN A. + MARY E. SMITH

Your social security number: 536 00 7800

Present home address (Number and street, including apartment number, or rural route): 122 "B" ST.

Spouse's social security no.: 356 78 0000

City, town or post office, State and ZIP code: ANYTOWN OR 97200

Your occupation ▶ TRUCKER

Spouse's occupation ▶ HOUSEWIFE

Presidential Election Campaign ▶ Do you want $1 to go to this fund? . . . . ☐ Yes ☒ No

If joint return, does your spouse want $1 to go to this fund? . . . ☐ Yes ☒ No

Note: *Checking "Yes" will not increase your tax or reduce your refund.*

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Filing Status

Check only one box.

1 ☐ Single

2 ☒ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶

4 ☐ Head of household (with qualifying person). (See page 6 of Instructions.) If he or she is your unmarried child, enter child's name ▶

5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). (See page 6 of Instructions.)

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☒ Yourself ☐ 65 or over ☐ Blind

b ☒ Spouse ☐ 65 or over ☐ Blind

Enter number of boxes checked on 6a and b ▶ 2

c First names of your dependent children who lived with you ▶ ANN

Enter number of children listed on 6c ▶ 1

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $1,000 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶

e Total number of exemptions claimed . . . . Add numbers entered in boxes above ▶ 3

Income

Please attach Copy B of your Forms W-2 here.

If you do not have a W-2, see page 5 of Instructions.

Please attach check or money order here.

7	Wages, salaries, tips, etc.			7	
8a	Interest income (*attach Schedule B if over $400 or you have any All-Savers interest*)	8a	18		
b	Dividends (*attach Schedule B if over $400*)	8b	163		
c	Total. Add lines 8a and 8b	8c	181		
d	Exclusion (*See page 9 of Instructions*)	8d	181		
e	Subtract line 8d from line 8c (but not less than zero)			8e	-0-
9	Refunds of State and local income taxes (*do not enter an amount unless you deducted those taxes in an earlier year—see page 9 of Instructions*)			9	
10	Alimony received			10	
11	Business income or (loss) (*attach Schedule C*) ▶			11	12,277
12	Capital gain or (loss) (*attach Schedule D*)			12	
13	40% of capital gain distributions not reported on line 12 (See page 9 of Instructions)			13	
14	Supplemental gains or (losses) (*attach Form 4797*)			14	
15	Fully taxable pensions and annuities not reported on line 16			15	
16a	Other pensions and annuities. Total received	16a			
b	Taxable amount, if any, from worksheet on page 10 of Instructions			16b	
17	Rents, royalties, partnerships, estates, trusts, etc. (*attach Schedule E*)			17	
18	Farm income or (loss) (*attach Schedule F*) ▶			18	
19a	Unemployment compensation (insurance). Total received	19a	3000		
b	Taxable amount, if any, from worksheet on page 10 of Instructions			19b	-0-
20	Other income (state nature and source—see page 11 of Instructions) ▶ PRIZE			20	100
21	**Total income.** Add amounts in column for lines 7 through 20 ▶			21	12,377

Adjustments to Income

(See Instructions on page 11)

22	Moving expense (*attach Form 3903 or 3903F*)	22			
23	Employee business expenses (*attach Form 2106*)	23			
24	Payments to an IRA (enter code from page 11 2)	24	200		
25	Payments to a Keogh (*H.R. 10*) retirement plan	25			
26	Interest penalty on early withdrawal of savings	26			
27	Alimony paid	27			
28	Disability income exclusion (*attach Form 2440*)	28			
29	Other adjustments—see page 12 ▶	29			
30	**Total adjustments.** Add lines 22 through 29 ▶			30	200

Adjusted Gross Income

31	**Adjusted gross income.** Subtract line 30 from line 21. *If this line is less than $10,000, see "Earned Income Credit" (line 57) on page 15 of Instructions. If you want IRS to figure your tax, see page 3 of Instructions* ▶	31	12,177

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O—343-087 96-0873146

Tax Computation

(See Instructions on page 12)

32a	Amount from line 31 *(adjusted gross income)*	32a	12,177
32b	If you do not itemize deductions, enter zero If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41	32b	343
	Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 12 of the Instructions. Also see page 12 of the Instructions if: ● *You are married filing a separate return and your spouse itemizes deductions, OR* ● *You file Form 4563, OR* ● *You are a dual-status alien.*		
32c	Subtract line 32b from line 32a	32c	11834
33	Multiply $1,000 by the total number of exemptions claimed on Form 1040, line 6e	33	3000
34	Taxable Income. Subtract line 33 from line 32c	34	8834
35	Tax. Enter tax here and check if from ☒ Tax Table, ☐ Tax Rate Schedule X, Y, or Z, ☐ Schedule D, ☐ Schedule G, or ☐ Form 4726	35	840
36	Additional Taxes. (See page 13 of Instructions.) Enter here and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, or ☐ Section 72(m)(5) penalty tax	36	
37	Total. Add lines 35 and 36 ▶	37	840

Credits

(See instructions on page 13)

38	Credit for contributions to candidates for public office	38			
39	Credit for the elderly *(attach Schedules R&RP)*	39			
40	Credit for child and dependent care expenses (attach Form 2441)	40			
41	Investment credit *(attach Form 3468)*	41	600		
42	Foreign tax credit *(attach Form 1116)*	42			
43	Work incentive (WIN) credit *(attach Form 4874)*	43			
44	Jobs credit *(attach Form 5884)*	44			
45	Residential energy credit *(attach Form 5695)*	45			
46	Total credits. Add lines 38 through 45			46	600
47	Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) ▶			47	240

Other Taxes

(Including Advance EIC Payments)

48	Self-employment tax *(attach Schedule SE)*	48	1142
49a	Minimum tax. Attach Form 4625 and check here ▶ ☐	49a	
49b	Alternative minimum tax. Attach Form 6251 and check here ▶ ☐	49b	
50	Tax from recomputing prior-year investment credit *(attach Form 4255)*	50	
51a	Social security (FICA) tax on tip income not reported to employer *(attach Form 4137)*	51a	
51b	Uncollected employee FICA and RRTA tax on tips *(from Form W-2)*	51b	
52	Tax on an IRA *(attach Form 5329)*	52	
53	Advance earned income credit (EIC) payments received *(from Form W-2)*	53	
54	Total tax. Add lines 47 through 53 ▶	54	1382

06

Payments

Attach Forms W-2, W-2G, and W-2P to front.

55	Total Federal income tax withheld	55			
56	1981 estimated tax payments and amount applied from 1980 return	56	2500		
57	Earned income credit. If line 32a is under $10,000, see page 15 of Instructions	57			
58	Amount paid with Form 4868	58			
59	Excess FICA and RRTA tax withheld (two or more employers)	59			
60	Credit for Federal tax on special fuels and oils *(attach Form 4136 or 4136–T)*	60			
61	Regulated Investment Company credit *(attach Form 2439)*	61			
62	Total. Add lines 55 through 61 ▶			62	2500

Refund or Balance Due

63	If line 62 is larger than line 54, enter amount OVERPAID ▶			63	1118
64	Amount of line 63 to be REFUNDED TO YOU ▶			64	772
65	Amount of line 63 to be applied to your 1982 estimated tax ▶	65	346		
66	If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number and "1981 Form 1040" on it. ▶ (Check ▶ ☐ if Form 2210 (2210F) is attached. See page 16 of Instructions.) ▶ $			66	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Use Only

Preparer's signature ▶ Student Signature	Date	Check if self-employed ▶ ☐	Preparer's social security no.	XXX XX XXXX
Firm's name (or yours, if self-employed) and address ▶			E.I. No. ▶	
			ZIP code ▶	

Schedules A&B (Form 1040)
rtment of the Treasury
nal Revenue Service (0)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

OMB No. 1545-0074
1981
07

Name(s) as shown on Form 1040: JOHN A. + MARY E. SMITH

Your social security number: 536 | 00 | 7800

Medical and Dental Expenses (Do not include expenses reimbursed or paid by others.) *(See page 17 of Instructions.)*

1	One-half (but not more than $150) of insurance premiums you paid for medical care. (Be sure to include in line 10 below.) ▶	150	
2	Medicine and drugs .		
3	Enter 1% of Form 1040, line 31 . . .		
4	Subtract line 3 from line 2. If line 3 is more than line 2, enter zero		
5	Balance of insurance premiums for medical care not entered on line 1	564	
6	Other medical and dental expenses:		
a	Doctors, dentists, nurses, etc.	160	
b	Hospitals		
c	Transportation	68	
d	Other (itemize—include hearing aids, dentures, eyeglasses, etc.) ▶		
7	Total (add lines 4 through 6d) . . . . OR	792 ✓	
8	Enter 3% of Form 1040, line 31 332 ✓	365	
9	Subtract line 8 from line 7. If line 8 is more than line 7, enter zero . 460	~~427~~	
10	Total medical and dental expenses (add lines 1 and 9). Enter here and on line 33 610 ▶	577	

Taxes *(See page 18 of Instructions.)*

11	State and local income	66	
12	Real estate	800	
13	a General sales (see sales tax tables) .		
	b General sales on motor vehicles . .		
14	Personal property		
15	Other (itemize) ▶		
16	Total taxes (add lines 11 through 15). Enter here and on line 34 . . . . ▶	866	

Interest Expense *(See page 18 of Instructions.)*

17	Home mortgage	1800	
18	Credit and charge cards	100	
19	Other (itemize) ▶		
20	Total interest expense (add lines 17 through 19). Enter here and on line 35 ▶	1900	

Contributions *(See page 19 of Instructions.)*

21	a Cash contributions (If you gave $3,000 or more to any one organization, report those contributions on line 21b) .	250	
	b Cash contributions totaling $3,000 or more to any one organization (show to whom you gave and how much you gave) ▶		
22	Other than cash (see page 19 of Instructions for required statement)	150	
23	Carryover from prior years		
24	Total contributions (add lines 21a through 23). Enter here and on line 36 ▶	400	

Casualty or Theft Loss(es) *(You must attach Form 4684 if line 29 is $1,000 or more, OR if certain other situations apply.) (See page 19 of Instructions.)*

25	Loss before reimbursement	325	
26	Insurance or other reimbursement you received or expect to receive	225	
27	Subtract line 26 from line 25. If line 26 is more than line 25, enter zero . . .	100	
28	Enter $100 or amount from line 27, whichever is smaller	100	
29	Total casualty or theft loss(es) (subtract line 28 from line 27). Enter here and on line 37 ▶	-0-	

Miscellaneous Deductions *(See page 19 of Instructions.)*

30	a Union dues		
	b Tax return preparation fee		
31	Other (itemize) ▶		
32	Total miscellaneous deductions (add lines 30a through 31). Enter here and on line 38 . . . . ▶		

Summary of Itemized Deductions

(See page 20 of Instructions.)

A OR

33	Total medical and dental—from line 10 .	577	610
34	Total taxes—from line 16	866	
35	Total interest—from line 20	1900	
36	Total contributions—from line 24 . . .	400	
37	Total casualty or theft loss(es)—from line 29 .		
38	Total miscellaneous—from line 32 . .		
39	Add lines 33 through 38	3743	3776
40	If you checked Form 1040, Filing Status box: 2 or 5, enter $3,400 . . . . 1 or 4, enter $2,300 . . . . 3, enter $1,700	3400	
41	Subtract line 40 from line 39. Enter here and on Form 1040, line 32b. (If line 40 is more than line 39, see the Instructions for line 41 on page 20.) . . . . . ▶	343	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

SCHEDULE C
(Form 1040)
Department of the Treasury
Internal Revenue Service (0)

Profit or (Loss) From Business or Profession

(Sole Proprietorship)

Partnerships, Joint Ventures, etc., Must File Form 1065.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB. No. 1545-0074

1981

08

Name of proprietor JOHN A. SMITH

Social security number of proprietor 526 | 00 | 7800

A Main business activity (see instructions) ▶ SERVICE ; product ▶ TRUCKING

B Business name ▶ J.S. TRUCKING

C Employer identification number

D Business address (number and street) ▶ 122 "B" ST

City, State and ZIP Code ▶ ANYTOWN, OR 97200

E Accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

F Method(s) used to value closing inventory:

(1) ☐ Cost (2) ☐ Lower of cost or market (3) ☐ Other (if other, attach explanation)

		Yes	No
G	Was there any major change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation.		X
H	Did you deduct expenses for an office in your home?		X

Part I Income

1 a Gross receipts or sales	1a	42110	
b Returns and allowances	1b		
c Balance (subtract line 1b from line 1a)		1c	42110
2 Cost of goods sold and/or operations (Schedule C-1, line 8)		2	
3 Gross profit (subtract line 2 from line 1c)		3	42110
4 a Windfall Profit Tax Credit or Refund received in 1981 (see Instructions)		4a	
b Other income (attach schedule)		4b	
5 Total income (add lines 3, 4a, and 4b) ▶		5	42110

Part II Deductions

6 Advertising	
7 Amortization	
8 Bad debts from sales or services	
9 Bank service charges	
10 Car and truck expenses 3000@20¢	600
11 Commissions	
12 Depletion	
13 Depreciation (see instructions)	7022
14 Dues and publications	
15 Employee benefit programs	
16 Freight (not included on Schedule C-1)	
17 Insurance	3000
18 Interest on business indebtedness	1200
19 Laundry and cleaning	
20 Legal and professional services	100
21 Office supplies and postage	
22 Pension and profit-sharing plans	
23 Rent on business property	
24 Repairs	2000
25 Supplies (not included on Schedule C-1)	
26 Taxes (do not include Windfall Profit Tax, see line 30)	
27 Travel and entertainment	
28 Utilities and telephone	700

29 a Wages		
b Jobs credit		
c WIN credit		
d Total credits		
e Subtract line 29d from 29a		
30 Windfall Profit Tax withheld in 1981		
31 Other expenses (specify):		
a	GAS, oil	7000
b	TIRES	1000
c	Loading exp.	4211
d	Licenses, Permits	3000
e		
f		
g		
h		
i		
j		
k		
l		
m		
n		
o		
p		

32 Total deductions (add amounts in columns for lines 6 through 31p) ▶	32	29833
33 Net profit or (loss) (subtract line 32 from line 5). If a profit, enter on Form 1040, line 11, and on Schedule SE, Part II, line 5a (or Form 1041, line 6). If a loss, go on to line 34	33	12,277

34 If you have a loss, do you have amounts for which you are not "at risk" in this business (see Instructions)? ☐ Yes ☐ No
If you checked "No," enter the loss on Form 1040, line 11, and on Schedule SE, Part II, line 5a (or Form 1041, line 6).

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

Form **3468**
Department of the Treasury
Internal Revenue Service (0)

Computation of Investment Credit

▶ Attach to your tax return.
▶ Use separate Schedule B (Form 3468) to figure your tentative business energy investment credit.

OMB. No. 1545-0155
1981
27

Name: JOHN A. + MARY E. SMITH

Identifying number as shown on page 1 of your tax return: 536-00-7800

Part I Elections (Check the box(es) below that apply to you (see Instruction D).)

A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) ☐
B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) ☐
C I elect to increase my qualified investment by all qualified progress expenditures made this tax year and all later years ☐
Enter total qualified progress expenditures included in column (4), Part II ▶
D I claim full credit on certain ships under section 46(g)(3). (See Instruction B for details.) ☐

Part II Qualified Investment

Figure your qualified investment in new or used investment credit property acquired or constructed and placed in service during the tax year. The qualified investment for qualified progress expenditures and qualified rehabilitation expenditures is allowed in the tax year the expenditure is incurred or in the case of self-constructed property the year the expenditure is chargeable to a capital account for the property.

For certain taxpayers, the basis or cost of property placed in service after February 18, 1981, is limited to the amount the taxpayer is at risk for the property at year end. See Instruction E.

Note: *Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.*

1 Recovery Property	Line	(1) Recovery Period	(2) Unadjusted Basis	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New	(a)	3-Year		60	
	(b)	Other	6000	100	6000
Used	(c)	3-Year		60	
	(d)	Other		100	
2 Total—Add lines 1(a) through 1(d)				2	6000

3 Nonrecovery Property	Line	(1) Life years	(2) Basis or cost	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New	(a)	3 or more but less than 5		33⅓	
	(b)	5 or more but less than 7		66⅔	
	(c)	7 or more		100	
Used	(d)	3 or more but less than 5		33⅓	
	(e)	5 or more but less than 7		66⅔	
	(f)	7 or more		100	

4 Total—Add lines 3(a) through 3(f)	4	
5 New commuter highway vehicle—Enter total qualified investment. (See Instruction D)	5	
6 Used commuter highway vehicle—Enter total qualified investment. (See Instruction D)	6	
7 Qualified rehabilitation expenditures incurred before January 1, 1982, for: (see specific instructions)		
(a) Improvements with 5 or more but less than 7 years—Enter 66⅔% of expenditures	7(a)	
(b) Improvements with 7 or more life years—Enter 100% of expenditures	7(b)	
8 Total qualified investment in 10% property—Add lines 2, 4, 5, 6, 7(a) and 7(b). (See instructions for special limits)	8	6000
9 Enter 100% of qualified rehabilitation expenditures incurred after December 31, 1981, for:		
(a) 30-year old buildings	9a	
(b) 40-year old buildings	9b	
(c) Certified historic structures (Enter the Dept. of Interior assigned project number ....)	9c	
10 Total qualified investment—Add lines 8, 9(a), 9(b), and 9(c)	10	

Part III Tentative Regular Investment Credit

11 10% of line 8	11	600
12 15% of line 9(a)	12	
13 20% of line 9(b)	13	
14 25% of line 9(c)	14	
15 Corporations electing the basic or basic and matching employee plan percentage for contributions to tax credit employee stock ownership plans—Check box A above (see Instruction D)		
(a) Basic 1% credit—Enter 1% of line 10	15a	
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 10 (attach schedule)	15b	
16 Credit from Cooperative—Enter regular investment credit from cooperatives	16	
17 Current year regular investment credit—Add lines 11 through 16	17	600
18 Carryover of unused credits	18	
19 Carryback of unused credits	19	
20 Tentative regular investment credit—Add lines 17, 18, and 19, enter here and in Part IV, line 21	20	600

For Paperwork Reduction Act Notice, see page 2.

Part IV Tax Liability Limitations

21 Tentative credit from Part III, line 20		21	600
22 (a) Individuals—Enter amount from Form 1040, line 37, page 2 (b) Estates and trusts—Enter amount from Form 1041, line 26, page 1 (c) Corporations—Enter amount from Schedule J (Form 1120), line 3, page 3 (d) Others—Enter tax before credits from your return		22	840
23 (a) Credit for the elderly (individuals only)	23(a)		
(b) Foreign tax credit	23(b)		
(c) Tax on lump-sum distribution from Form 4972 or Form 5544	23(c)		
(d) Possessions corporation tax credit (corporations only)	23(d)		
(e) Section 72(m)(5) penalty tax (individuals only)	23(e)		
24 Total—Add lines 23(a) through 23(e)		24	-0-
25 Subtract line 24 from line 22		25	840
26 (a) Enter smaller of line 25 or $25,000. See instruction for line 26		26(a)	840
(b) If line 25 is more than line 26(a), and your tax year ends in 1981, enter 80% of the excess (If your tax year ends in 1982, enter 90% of the excess)		26(b)	
27 Regular investment credit limitation—Add lines 26(a) and 26(b)		27	840
28 Allowed regular investment credit—Enter the smaller of line 21 or line 27		28	600
29 Business energy investment credit limitation—Subtract line 28 from line 25		29	240
30 Business energy investment credit—Enter amount from line 14 of Schedule B (Form 3468)		30	-0-
31 Allowed business energy investment credit—Enter smaller of line 29 or line 30		31	-0-
32 Total allowed regular and business energy investment credit—Add lines 28 and 31. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 4(b), page 3; or the proper line on other returns		32	600

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carryout the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and so that we can figure and collect the correct amount of tax. You are required to give us this information.

★U.S.GPO:1981-0-343-165 E16 [illegible]

SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service

Computation of Social Security Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

OMB No. 1545-0074
1981
22

e of self-employed person (as shown on social security card): Sonn A. Smith

Social security number of self-employed person ▶ 536 | 00 | 7800

Part I Computation of Net Earnings from FARM Self-Employment

Regular Method			
1 Net profit or (loss) from:			
a Schedule F (Form 1040)	1a		
b Farm partnerships	1b		
2 Net earnings from farm self-employment (add lines 1a and 1b)	2		
Farm Optional Method			
3 If gross profits from farming are:			
a Not more than $2,400, enter two-thirds of the gross profits	3		
b More than $2,400 and the net farm profit is less than $1,600, enter $1,600			
4 Enter here and on line 12a, the amount on line 2, or line 3 if you elect the farm optional method	4		

Part II Computation of Net Earnings from NONFARM Self-Employment

SE

Regular Method			
5 Net profit or (loss) from:			
a Schedule C (Form 1040)	5a	12277	
b Partnerships, joint ventures, etc. (other than farming)	5b		
c Service as a minister, member of a religious order, or a Christian Science practitioner. (Include rental value of parsonage or rental allowance furnished.) If you filed Form 4361 and have not revoked that exemption, check here ▶ ☐ and enter zero on this line	5c		
d Service with a foreign government or international organization	5d		
e Other (specify) ▶	5e		
Total (add lines 5a through 5e)	6	12,277	
Enter adjustments if any (attach statement, see instructions)	7		
8 Adjusted net earnings or (loss) from nonfarm self-employment (line 6, as adjusted by line 7). Enter here and on line 12b. (Note: If the amount on line 8 is less than $1,600, you may wish to use the nonfarm optional method instead. See instructions.)	8	12,277	
Nonfarm Optional Method (Use only if your earnings from nonfarm self-employment are less than $1,600 and less than two-thirds of your gross nonfarm profits.)			
9 a Maximum amount reportable under both optional methods combined (farm and nonfarm)	9a	$1,600	00
b Enter amount from line 3. (If you have no amount on line 3, enter zero.)	9b		
c Balance (subtract line 9b from line 9a)	9c		
10 Enter two-thirds of gross nonfarm profits or $1,600, whichever is smaller	10		
11 Enter here and on line 12b, the amount on line 9c or line 10, whichever is smaller	11		

Part III Computation of Social Security Self-Employment Tax

12 Net earnings or (loss):			
a From farming (from line 4)	12a		
b From nonfarm (from line 8, or line 11 if you elect to use the Nonfarm Optional Method)	12b	12,277	
13 Total net earnings or (loss) from self-employment reported on lines 12a and 12b. (If line 13 is less than $400, you are not subject to self-employment tax. Do not fill in rest of schedule)	13	12,277	
14 The largest amount of combined wages and self-employment earnings subject to social security or railroad retirement taxes for 1981 is	14	$29,700	00
15 a Total FICA wages (from Forms W-2) and RRTA compensation — 15a: -0-			
b Unreported tips subject to FICA tax from Form 4137, line 9 or to RRTA — 15b:			
c Add lines 15a and 15b	15c	-0-	
Balance (subtract line 15c from line 14)	16	29,700	
17 Self-employment income—line 13 or line 16, whichever is smaller	17	12,277	
18 Self-employment tax. (If line 17 is $29,700, enter $2,762.10; if less, multiply the amount on line 17 by .093.) Enter here and on Form 1040, line 48	18	1142	

For Paperwork Reduction Act Notice, see Form 1040 Instructions.

★ U.S. GOVERNMENT PRINTING OFFICE: 1981—O—343-086 66-0675140

31

Oregon Depreciation Schedule 1981

Attach this form to your Oregon return.

Name: ~~J~~ JOHN A. & MARY E. SMITH

Social Security number or withholding registration number: 536-00-7800

Did you have property you began depreciating in 1981? If so, you must use 1980 federal law to figure your Oregon depreciation. You can't use the new federal Accelerated Cost Recovery System (ACRS). ACRS is the depreciation you claimed on Part I of federal Form 4562.

Use this schedule to figure your "Oregon changes" for property you began depreciating in 1981.

Don't use this schedule for property you began depreciating before 1981. Your Oregon depreciation for that property will be the same as the depreciation on your federal return.

Full-year residents—On Form 40, line 3, fill in the amount from line 6 of this schedule.

Part-year and nonresidents—On Form 40NR, line 23, (federal portion) fill in the amount from line 6 of this schedule. On Form 40NR, line 23 (Oregon portion), fill in the amount from line 6 of this schedule that is from:

- property you owned while an Oregon resident OR
- property used to produce Oregon income.

Note: The amount on line 6 of this schedule should include differences for depreciation on all property you began depreciating in 1981. This includes property you didn't use in an Oregon business.

For further instructions, see the separate instruction sheet 150-101-029.

For all assets placed in service after December 31, 1980

Description of property (a)	Date placed in service (b)	Cost or other basis (c)	Method of figuring depreciation (d)	Life or rate (e)	Oregon depreciation for property placed in service in 1981 (f)	Federal depreciation for the property (g)
1 Total additional first-year depreciation. See instructions for limits.→					1200	
2 Other depreciation:						
TRAKER	7-1-81	6000			(Line)	900
		<1200> AFY				
		4800	DDB	6	800	
				=		

		(f)	(g)
3 Totals	3	2000	900
4 Depreciation on assets listed above in ending inventory	4		
5 Balance. Line 3 minus line 4	5	2000	900

6 Change in depreciation for Oregon. Line 5(g) minus line 5(f). Fill in this amount on Form 40 or Form 40NR. (See instructions above) 6 1100

150-101-025 (10-81)

Form **4562**
(Rev. September 1981)
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See separate instructions.
▶ Attach this form to your return.

OMB No. 1545-0172
Expires 12/31/82

Name(s) as shown on return: JOHN A. SMITH

Identifying number: 536-00-7800

▶ Generally, you must use the Accelerated Cost Recovery System of depreciation (ACRS) for all assets you placed in service after December 31, 1980. Report these assets in Part I, lines 1(a) through 1(f).

▶ You may elect to exclude certain property. Report this property in Part I, line 2.

▶ Use Part II for assets you placed in service before January 1, 1981, and certain other assets for which you cannot use ACRS.

▶ Filers of Schedule C (Form 1040), Schedule E (Form 1040) and Form 4835 should see the instructions for those forms before completing Form 4562.

Part I Assets placed in service after December 31, 1980

A. Class of property	B. Date placed in service	C. Cost or other basis	D. Recovery period	E. Method of figuring depreciation	F. Percentage	G. Deduction for this year
1 Accelerated Cost Recovery System (ACRS) (See instructions for grouping assets):						
(a) 3-year property						
(b) 5-year property	1981	6000	5		15	900
(c) 10-year property						
(d) 15-year public utility property						
(e) 15-year real property—low-income housing						
(f) 15-year real property other than low-income housing						
2 Property subject to section 168(e)(2) election (see instructions):						
3 Totals (add amounts in columns C and G)						900
4 Depreciation from Part II, line 3						6122
5 Total (add column G, lines 3 and 4). Enter this amount on the depreciation expense line (where it applies) of your return						7022

See Paperwork Reduction Act Notice on page 1 of the separate instructions.

Part II **Assets placed in service before January 1, 1981 and other assets not qualifying for ACRS**

A. Description of property	B. Date acquired	C. Cost or other basis	D. Depreciation allowed or allowable in earlier years	E. Method of figuring depreciation	F. Life or rate	G. Depreciation for this year
1 Class Life Asset Depreciation Range (CLADR) System Depreciation . . . . ▶						
2 Other depreciation (for grouping assets, see instructions for Part II):						
Buildings						
Furniture and fixtures . .						
Transportation equipment						
Truck	1-2-80	$30,000	8571	DDB	7	6122
Machinery and other equipment						
Other (specify)........						
3 Total (add amounts in column G). Enter here and in Part I, line 4						6122

☆ U.S. GOVERNMENT PRINTING OFFICE : 198– 976-937

FULL-YEAR RESIDENTS ONLY

FORM 40 OREGON INDIVIDUAL INCOME TAX RETURN 1981

For calendar year 1981 or fiscal year ending ____________

For office use only			
Code	Tax	P & I	Payment
Date received	Postmark date	Penalty date	

Last name SMITH	First name and initial JOHN A.	Social Security number 536 | 09 | 7800
Spouse's last name if different and joint return	Spouse's first name and initial if joint return MARY E.	Spouse's Social Security number 356 | 78 | 0000

Mailing address 122 "B" STREET	Telephone number 222-2222

City ANYTOWN	State Or	ZIP Code 97200	County MULTNOMAH

Did you file an Oregon income tax return for 1980? ☒ Yes ☐ No

If NO, give reason: ____________

For office use only

Filing Status

Check only one box

1 ☐ Single

2 ☒ Married filing jointly

3 ☐ Married filing separately ____________ (Spouse's name)

4 ☐ Unmarried head of household ____________ (Person who qualifies you)

5 ☐ Qualifying widow(er) with dependent child

Exemptions

	Regular	65 or older	Blind	Severely disabled	Total
Yourself	☒	☐	☐	☐	1
Spouse	☒	☐	☐	☐	1
Dependents ANN (First names)					1
Total exemptions claimed ●					3

1	Federal adjusted gross income. Federal Form 1040, line 31; or federal Form 1040A, line 10	1	12,177

OREGON CHANGES TO INCOME

2	Interest received from All Savers Certificates	● 2	
3	Changes in depreciation for Oregon	● 3	< 1,100 >
4	Other Oregon changes to federal income. Identify ____________	● 4	
5	Oregon adjusted gross income. Add lines 1, 2, 3 and 4	5	11,077

ADDITIONS

6	Interest on local government bonds of other states	● 6	
7	Other additions. Identify ____________	● 7	
8	Total additions. Add lines 6 and 7	8	
9	Income after additions. Line 5 plus line 8	9	11,077

SUBTRACTIONS

10	1981 federal tax (maximum $7,000; $3,500 if married filing separately). See instructions, page 21	● 10	240
11	Oregon income tax refund included in federal income (not property tax refund)	● 11	
12	Interest from U.S. government, such as Series E and H bonds	● 12	
13	U.S. public retirement income. Not more than $3,400. See instructions, page 21	● 13	
14	Military active duty pay. Not more than $3,000. See instructions, page 22	● 14	
15	Oregon public retirement income	● 15	
16	Other subtractions. Identify ____________	● 16	
17	Total subtractions. Add lines 10 through 16	17	240
18	Income after subtractions. Line 9 minus line 17	18	10837

Attach W-2 wage slips and payment here

NOW GO TO THE BACK OF THE FORM →

19	Amount from front of form, line 18	19			10837	

DEDUCTIONS AND EXEMPTIONS

Deductions: Fill in lines 20, 21, and 22. OR only line 23

20	Itemized deductions from Schedule A, line 39	● 20	3776			
21	State income tax claimed as an itemized deduction	● 21	66			
22	Net Oregon itemized deductions. Line 20 minus line 21	22	3710			
22	Standard deduction from table, page 10	23				
24	Exemptions. Multiply your total Oregon exemptions by $1,000	24	3000			
25	Total deductions and exemptions. Line 22 plus line 24. OR line 23 plus line 24	25			6710	
26	Oregon taxable income. Line 19 minus line 25. If line 25 is more than 19, fill in -0-	● 26			4127	

EITHER, NOT BOTH

OREGON TAX

27	Oregon tax from rate charts, page 18	● 27	219			
28	Minimum tax. **Attach Schedule M** if you need to pay this extra tax	● 28				
29	Total tax. Add lines 27 and 28	29			219	
30	Credit for the elderly, 15% of your federal credit for the elderly	● 30				
31	Child care credit, 40% of your federal child care credit	● 31				
32	Credit for income tax paid to another state. **Attach proof.** See page 28	● 32				
33	Political contribution credit. See limits, page 29. **Attach proof**	● 33				
34	Weatherization credit. For users of certain fuels. **Attach certificate.** See page 29	● 34				
35	Other credits. Identify ______________	● 35				
36	Total credits. Add lines 30 through 35	36				
37	Net income tax. Line 29 minus line 36. If line 36 is more than line 29, enter -0-	37			219	

TAX PAYMENTS MADE IN 1981

38	Oregon income tax withheld from wages. **Attach W-2 wage slips**	● 38				
39	Estimated tax payments for 1981	● 39				
40	Total tax already paid. Add lines 38 and 39	40				
41	Refund. If line 37 is less than line 40, you have a refund. Subtract line 37 from line 40	● 41				
42	ESTIMATED TAX. Fill in all or part of line 41 you want to apply to your estimated 1982 tax	● 42				
	I wish to donate part of my tax refund to the following:					
43	Oregon Nongame Wildlife Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☐ None	● 43				
44	Oregon Arts Development Fund $1 ☐, $5 ☐, $10 ☐, Other $______, ☐ None	● 44				
45	Total. Add lines 42, 43 and 44. Total can't be more than line 41	45				
46	**NET REFUND.** Line 41 minus 45. This is your net refund	● 46				
47	**TAX-TO-PAY.** If line 37 is more than line 40, you have tax-to-pay. Subtract line 40 from line 37.	● 47			219	00
48	Penalty and interest. For filing or paying late, or interest for underpayment of estimated tax If Form 10 is attached, check ☑. See page 31 of instructions.	● 48				

These will reduce your refund

ATTACH A COPY OF YOUR FEDERAL RETURN, FORMS AND SCHEDULES.

Filing a Homeowner and Renter Refund Form 70R? Attach Form 70R to this return.

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE

Your signature ______________ Date

Spouse's signature (If filing jointly, BOTH must sign even if only one had income) ______________

Student Signature

Signature of preparer other than taxpayer ______________ License no.

Address ______________

Mail refund returns to: REFUND, P.O. Box 14700, Salem, OR 97310

Mail tax-to-pay returns to: Oregon Department of Revenue, P.O. Box 14555, Salem, OR 97310

36

FORM
70R

OREGON HOMEOWNER AND RENTER REFUND FORM

1981

Please print or type

Claimant's last name SMITH	Claimant's first name and initial JOHN A.	Social Security number 536 00 1800	Age 37
Spouse's last name if different	Spouse's first name & initial MARY E.	Spouse's Social Security number 356 78 0000	Spouse's age 34
Mailing address 122 "B" STREET		Telephone number 222-2222	
City ANYTOWN	State OR	ZIP Code 97200	County MULTNOMAH

Did you file an Oregon Individual Income Tax Return for 1980? ☒ Yes ☐ No

For office use only

FILL IN lines 1 through 24 below if:
- You are a renter (no income limit), or
- You are a homeowner with household income less than $17,500, or
- You are a mobile home resident who pays rent (no income limit), or
- You own your mobile home AND land and have household income less than $17,500.

DON'T FILE this form if you have household income $17,500 or more, AND
- Own your home, OR
- Own BOTH your mobile home AND land.

WORK OR INVESTMENTS			
1 WAGES, SALARIES and other pay for work	1		
2 INTEREST, DIVIDENDS (total taxable and nontaxable)	2	181	
3 BUSINESS NET INCOME (loss limited to $1,000) 12,277 <1100>	3	11,177	
4 Farm net income (loss limited to $1,000)	4		
5 Total gain on property sales (loss limited to $1,000)	5		
6 Rental net income (loss limited to $1,000)	6		
7 Net operating loss carryback and carryforward (limited to $1,000)	7		
8 Other income from your federal return. Identify PRIZE	8	100	
9 Add lines 1 through 8	● 9		11,458
RETIREMENT			
10 Social Security, Supplemental Security Income (SSI), Railroad Retirement (total for 1981)	10		
11 Pension, annuity (total taxable and nontaxable received during 1981)	11		
12 Add lines 10 and 11	● 12		
OTHER			
13 ADULT AND FAMILY SERVICES (Welfare)	● 13		
14 UNEMPLOYMENT	● 14	3000	
15 CHILD SUPPORT	15		
16 Veteran's benefits, military pay and benefits	16		
17 Disability pay, life insurance proceeds, personal injury damages, strike-benefits	17		
18 Workers' compensation, accident and health insurance payments	18		
19 Inheritances	19	800	
20 Gifts and grants: total amount minus $500	20		
21 Add lines 13 through 20	21		3800
22 Total. Add lines 9, 12 and 21	22		15258
23 Adjustments to income from federal Form 1040, lines 22 through 27 and line 29	● 23		200
24 Your total household income. Line 22 minus line 23	● 24		15058

HOMEOWNERS — Now go to **section A** on the back of this form.
MOBILE HOME RESIDENTS — Now go to **section B** if you own your mobile home AND/OR land. Go to **section C** if you rent BOTH your mobile home AND land.
RENTERS — Now go to **section C** on the back of this form.

150-101-079 (10-81)

Complete only one section.

A **HOMEOWNERS** Owned on Dec. 31, 1981

25 Total ASSESSED VALUE of the home you owned and occupied Dec. 31, 1981. Attach your 1981-82 Property Tax Statement .... • 25 30,000

26 Total PROPERTY TAX on your home. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments. .... • 26 825

27 MAXIMUM REFUND from the HARRP table for homeowners. 27 120

28 SMALLER of line 26 or line 27 .... 28 120

29 Special Shelter Allowance (Aid to Dependent Children) .... • 29

30 YOUR HOMEOWNER REFUND. Line 28 minus line 29 .... • 30 120

B **MOBILE HOME OWNERS** Owned on Dec. 31, 1981

31 Total ASSESSED VALUE of your mobile home and/or land you owned and occupied on Dec. 31, 1981. Attach your 1981-82 property tax statement(s). (If you rented your home and land, file as a renter.) .... • 31

32 TOTAL PROPERTY TAX on your home and/or land. Subtract the state payment. Don't subtract the discount you got for paying by Nov. 15, 1981. Don't include any special assessments. .... • 32

33 TOTAL OREGON RENT for 1981 from Rental Schedule below. .... • 33

34 Optional: Refund amount from worksheet, line 22 or line 24 (if you filled out worksheet). .... • 34

C **RENTERS** Didn't own on Dec. 31, 1981

35 TOTAL OREGON RENT for 1981 from the Rental Schedule below .... • 35

36 Optional: Refund amount from worksheet, line 10 or line 23 (if you filled out worksheet). .... • 36

Check the box if you paid rent to a nursing home ☐ or a retirement (rest) home ☐.

SPECIAL PROGRAM FOR ELDERLY RENTERS

You may qualify for a larger refund. See instructions for Elderly Rental Assistance. Fill in line 37 if you qualify for the program.

37 Total fuel and utilities only (not telephone). DON'T INCLUDE RENT .... • 37

RENTAL SCHEDULE List the places you rented in Oregon and the rent you paid for 1981. Roommates: only one may file.

Your address(es): street, city, state	Roommates' names	Landlord(s)	1981 rental period From	To	Rent per month	Total

TOTAL RENT FOR 1981. Add the rent you paid for 1981. Fill in the total in this space. ....

Under penalties for false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, this declaration is based on all information of which the preparer has any knowledge.

SIGN HERE ➧ Claimant's signature (Person listed first on front of form) Date

Student Signature
Signature of preparer other than taxpayer License no.

MAIL YOUR FORM 70R WITH YOUR OREGON INCOME TAX RETURN IF YOU FILE A RETURN.

Mail all others to: REFUND, P.O. Box 14700, Salem, OR 97310

YOU'LL GET YOUR REFUND IN OCTOBER 1982.